

Charles Glass... the American... in August... of captivities... has been... his way... but will... "There is... with... out of being... are still... in the British... He said... at home... other... had offers... from... publishers... editor... impression... with... reason... for... interest

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Reagan Rejects Pentagon View On European Arms Accord

By R. Jeffrey Smith
WASHINGTON — Despite an impassioned private appeal from Defense Secretary Caspar W. Weinberger, President Ronald Reagan has rejected the Pentagon position on U.S.-Soviet arms control negotiations, an action signaling his desire to move swiftly to reach an agreement with Moscow, according to senior U.S. officials.

The few remaining disputes concerning a treaty that would eliminate medium- and shorter-range missiles in Europe, the officials said Saturday.

Mr. Weinberger's plea that the new Soviet-U.S. agreement exclude medium-range missiles with non-nuclear, or conventional, warheads. The officials said the Weinberger plea was intended to keep the treaty from interfering with a quiet effort by the air force to develop such weapons for deployment in Western Europe by the late 1990s.

Territory Votes for France

But Critics See Little Settled in New Caledonia

By Edward Cody
WASHINGTON Post Service
PARIS — New Caledonia voted overwhelmingly on Sunday to remain a French territory. But critics said the vote in the Pacific island territory settled little and could lead to more ethnic violence.



UN Official Meets With Iranian President
Javier Pérez de Cuéllar, the UN secretary-general, met with President Ali Khamenei of Iran on Sunday before flying to Iraq on his mission to persuade both sides to accept a United Nations Security Council resolution on a cease-fire in the Gulf war. Mr. Khamenei told him that Iran will not accept a settlement unless Iraq is condemned and punished as the aggressor. Page 5.

Shevardnadze Arrives In U.S. for Talks on Pact

By Don Oberdorfer
WASHINGTON Post Service
WASHINGTON — The Soviet foreign minister, Eduard A. Shevardnadze, arrived Sunday to discuss final details of an arms accord with Secretary of State George P. Shultz, who expressed optimism that a much-discussed outstanding issue can be resolved.

The U.S. official emphasized that his talks with Mr. Shevardnadze are aimed at advancing U.S.-Soviet relations across the board, not just on arms control. The greatest public and political interest is centered on the missile issues because of the widespread belief that the Soviet leader, Mikhail S. Gorbachev, will come to Washington to sign a missile treaty if one can be completed soon.

Mr. Shevardnadze, who visited Washington in September 1985 and 1986, is to rest Monday and begin his talks on Tuesday morning with Mr. Shultz at the State Department. Later Tuesday, Mr. Shevardnadze is to meet with President Ronald Reagan, who will host a luncheon for him at the White House.

The president also rejected the recommendation of some Pentagon officials by showing new flexibility on the issue of how rapidly U.S. medium-range missiles in Western Europe will be eliminated after a treaty is ratified. Previously, the administration maintained that no U.S. missiles would be eliminated until the Soviet Union reduced its missile force to current U.S. levels.

Finance Ministers Strengthen Policy On European Currency Intervention

NYBORG, Denmark — European Community finance ministers, in a decision with important implications for currency markets, have agreed to increase cooperation to limit turbulence in European foreign exchange rates.

Technical changes to the eight-year-old currency float of the European Monetary System, which holds eight currencies in narrow trading ranges.

The key element of the new agreement stipulates that central banks with weak currencies will be able to borrow from these strong currencies to defend their units against speculation before such intervention becomes obligatory under EMS rules.

Mr. Shultz, appearing on a CBS television program several hours before Mr. Shevardnadze's arrival, said there was "not much of a difference" between the two sides' formal negotiating positions on what to do with medium- and shorter-range missiles once they are eliminated under the proposed pact.

A U.S.-Soviet agreement establishing Nuclear Risk Reduction Centers in Washington and Moscow is to be signed on that occasion.

The Soviet foreign minister and his party are to meet with Mr. Shultz and other U.S. officials on Tuesday afternoon and on Wednesday and Thursday, Mr. Shultz plans to hold a news conference Thursday to announce the results of the meetings.

The relatively cordial state of official relations at this time is suggested by the social schedule. See TALKS, Page 5

President François Mitterrand of France has expressed deep disagreement with Prime Minister Jacques Chirac's handling of the dispute, straining an uneasy working arrangement between the Socialist president and Mr. Chirac's Gaullist government.

In addition, Mr. Chirac's policy in New Zealand has displeased Pacific neighbors that see French rule as a colonial vestige out of step with the times.

Mr. Chirac, who returned to Paris on Sunday after visiting France, said the package of measures approved Saturday will result in

Kiosk Moscow Allows Goldfarb Visit

NEW YORK (Reuters) — Soviet authorities have told the daughter of David Goldfarb, a Soviet dissident, that she can leave Moscow to visit her sick father in New York, her brother said Sunday.

Robertson Beats Bush in Iowa Straw Poll

By E.J. Dionne Jr.
NEW YORK Times Service
AMES, Iowa — What was billed as the first real face-off among Republican presidential candidates has turned into a triumph for the Reverend Pat Robertson, who brought hundreds of supporters to a sports arena here and defeated all the Republican presidential contenders in a straw poll.

In a separate count of about 300 ballots cast by non-Iowans, Mr. Robertson, a television evangelist, had succeeded in his goal of using a strong showing in Iowa to signal the seriousness of his cause and the power of his church-based political organization.

Mr. Robertson has been winning 5 or 6 percent in national opinion polls. For Mr. Bush, who holds a substantial lead in nationwide polls over Mr. Dole, a third-place finish was a major blow, since he is regarded as having the best organization among the Republicans.

Mr. Bush had consented to appear on the same platform as his major challengers. With shouts and cheers, bands and balloons and waving placards, the meeting at the sports arena of Iowa State University had the flavor of a national convention. And the candidates, particularly Mr. Robertson and Mr. Bush, campaigned as if it were, scurrying for votes in the straw poll.

To vote, a person needed to present an Iowa driver's license and a \$25 ticket to the fund-raising event. Nearly half the tickets were sold Saturday, and most of the last-minute sales were to Robertson supporters, said David A. Oman, vice chairman of the Iowa Republican Party.

Mr. Oman said Mr. Robertson's backers arrived with "large stacks of checks and bills in small denominations."



Martina Navratilova beat Steffi Graf for the U.S. Open women's championship. The Lendl-Wilander match for the men's title was postponed until Monday because of rain. Page 17.

Among the 3,843 Iowans polled, Mr. Robertson won 1,293 votes; Mr. Dole, 958; Mr. Bush, 864; Representative Jack F. Kemp of New York, 520; former Governor Pierre S. du Pont 4th of Delaware, 160; and former Secretary of State Alexander M. Haig Jr., who did not appear at the straw poll, 12.

Minor candidates received scattered votes. Mr. Robertson also led

marked the first time that Mr. Bush had consented to appear on the same platform as his major challengers.

The Sandinist government has reported several clashes in the Mury Mury area in recent days. The Defense Ministry said a state-run supply post near the town of Matiguás was raided Wednesday, resulting in the deaths of seven militiamen, a woman and a child. It also said one militiaman and three contras were killed in combat Friday six miles (10 kilometers) from Río Blanco.

Peasants living in remote areas near Mury Mury said they regularly heard the sounds of battle. They said contras operating from command posts on nearby hillsides often forced the closing of important roads for days at a time.

This part of Nicaragua is the area where contras have maintained their most constant presence in the last two years. About 4,000 peasants have moved from their isolated plots of land to protected government settlements, some voluntarily and others after being ordered to do so by Sandinist troops.



Reagan Faults Latin Plan
Neil A. Lewis of The New York Times reported from Washington: Mr. Reagan strongly criticized the Central America peace plan adopted by five nations of the region. He also said the plan did not

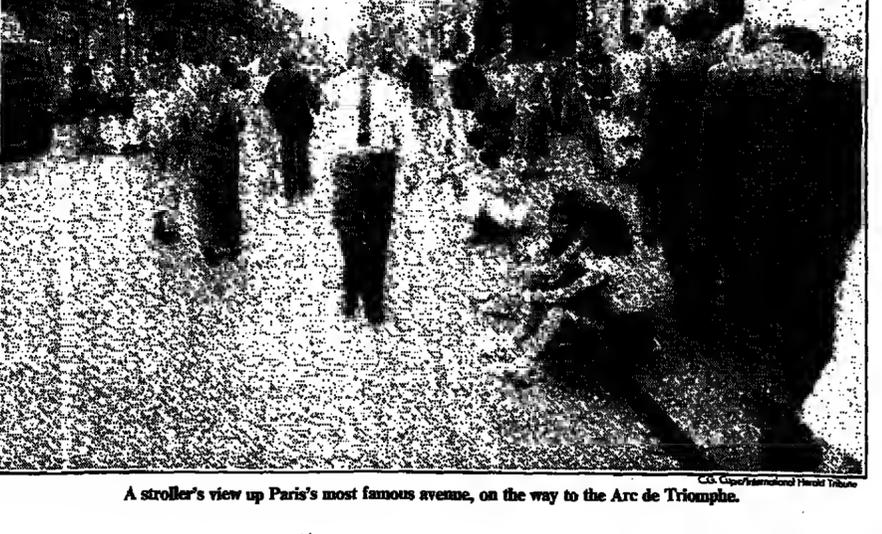
On the Champs-Élysées, Paradise Lost

Idle Youths, Tourist Throngs Change Avenue's Image
By Julian Nundy
PARIS — The fight started when a leather-jacketed youth crossing the street kicked the side of a car that, he thought, had passed too close.

At night, the wide sidewalks, now dotted with caricaturists delivering quick, unflattering portraits of those with time and a little money to spare and vendors selling cheap toys and balloons, are far from the most dangerous a tourist is likely to frequent in Paris — the pedestrian areas in the modern Les Halles are much more menacing — but they present a wearying scene.

For François Lebel, the mayor of the eighth arrondissement, where the avenue is situated, the Champs-Élysées is a victim of overpopulation, "of the St.-Tropez phenomenon, in which the public at large hears of an idyllic place and goes to see for itself."

He contends that this "industrial" or mass tourism, "is killing the reason for its own existence."



A stroller's view up Paris's most famous avenue, on the way to the Arc de Triomphe.

It ended when the driver, knocked to the ground by friends of the youth, pulled out an aerosol can of tear gas and sprayed it upward at his adversaries. The gas immediately descended into his own face.

The driver jumped to his feet and, abandoning his car, ran zig-zagging through the traffic, bumping into cars as he went, trying to rub the gas from his eyes.

This incident occurred recently, under the eyes of policemen distracted briefly from their main task of guarding a foreign shrine office against terrorists, near the western end of the Avenue des Champs-Élysées.

In the daytime, when office workers mingle with tourists, a stroll there is still a pleasant experience.

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The Paris police refuse to give

GENERAL NEWS
Yugoslavia expelled 42 Communist Party members and its vice president resigned over a financial scandal. Page 2.
Pope John Paul II in Texas, urged aid for Central American refugees. Page 3.

SPORTS
Cincinnati edged Indianapolis in an NFL opener. Page 17.

BUSINESS/FINANCE
The IMF predicted economic growth of 2.6 percent in industrial countries in 1988. Page 7.

PERSONAL INVESTING
The drama unfolding in European publishing are symptomatic of changes that excite investors. Pages 9-12.

CLASSIFIED ADVERTISING

Yugoslavia Expels Party Members as Official Quits

BELGRADE — Yugoslavia's Communist Party has expelled 42 members, and 28 others face criminal proceedings over a financial scandal, the official news agency Tanjug said Sunday.

The scandal, involving the use of corporate IOUs without monetary backing, led to the resignation Saturday night of Vice President Hamdija Pozderac.

Tanjug said at least 130 party members "face the judgment of the party and the law" in Velika Kladusa, the Bosnian town where the multimillion-dollar scandal came to light last month.

The expulsions and Mr. Pozderac's departure after being implicated in the affair reinforced diplomats' impressions that Yugoslavia was signaling tougher management of its wayward economy.

Western diplomats said the moves should please Western creditors and the International Monetary Fund, which is to meet Yugoslav officials soon to discuss long-term adjustment of the country's foreign debt, estimated at nearly \$20 billion. [Page 7.]

Mr. Pozderac, 64, submitted his resignation to the Communist Party leadership in his home republic, Bosnia-Herzegovina, Tanjug said.

His resignation leaves Yugoslavia with a constitutional dilemma about his replacement and with many questions unanswered about the scope of the scandal, in which as much as \$865 million worth of unbacked promissory notes were issued by Agrokombor, a Bosnian agricultural-industrial company.

Mr. Pozderac was to become Yugoslavia's president in May. The posts of president and vice president rotate annually among eight representatives from Yugoslavia's six republics and two autonomous provinces.

A statement by the Bosnian Communist Party branch leadership said Mr. Pozderac decided to resign "after a thorough examination of all the elements of the political situation created with the Agrokombor case."

Mr. Pozderac stressed that his resignation was one of principle, believing that it would help find the ways out of the situation that had arisen "as well as strengthening party unity and trust in the country's and Bosnia's leadership, the statement said.

The Bosnian party presidency accepted his resignation but denied that any high-ranking politician knew about illegal practices at Agrokombor.

Mr. Pozderac and his brother Hakijski, 68, were named by Agrokombor's chief executive, Fikret Abdic, as having backed his actions.

Mr. Abdic was detained last week along with eight others involved in the scandal, and Yugoslavia's state-controlled press called for action against the Pozderacs and other politicians suspected of involvement. The State Auditing Office, a watchdog body that has no judicial power, has called for the arrests of 92 officials of Agrokombor and creditor banks.

The scandal caused nationwide outrage, unleashed a press crusade against financial malpractice and severely destabilized an already weak banking system.

In July, Yugoslavia missed payments of \$245 million on its debt. The payments were postponed until this month. Now it faces hard bargaining with its creditors.

The International Monetary Fund, frustrated by the government's inability to control annual inflation of 116 percent and runaway growth of the money supply, has long demanded curbs on "grey emissions" in the Yugoslav economy, as false promissory notes and other practices are known.



Hamdija Pozderac

After Honecker's Visit, Raised Hopes in Bonn

By Robert J. McCartney

BONN — The two Germanys have agreed on the broad outline of a long-term agenda for gradually lowering the political, psychological and physical barriers that have divided them since the onset of the Cold War.

The landmark visit to West Germany last week by the East German chief of state, Erich Honecker, laid a diplomatic foundation for what could become the most substantial improvement in inter-German relations since former Chancellor Willy Brandt's *Ostpolitik* policy in the early 1970s.

Mr. Honecker and Chancellor Helmut Kohl achieved a tentative consensus on how to handle the two most emotionally charged issues: East Germany's closed border and reunification.

On the border, they signed a communiqué obliging East Germany to ease its travel restrictions.

They also agreed that East Germany would lead to a situation in which East German border guards would no longer shoot at citizens trying to reach the West.

That was the message implicit in Mr. Honecker's statement Thursday that the border was not as it "should be" and that it could become a normal one if the two Germanys continued the "peaceful cooperation" begun during his trip.

It was a dramatic statement, though carefully hedged, from the 75-year-old Communist leader, who supervised the construction of the Berlin Wall in 1961.

The West German government, politicians and news media commentators unanimously welcomed against "utopian" hopes regarding the border, but they strongly welcomed Mr. Honecker's declaration as an important signal of progress toward abolishing the bitterly resented *Schliessele*, or "order to shoot."

"Expectations have been raised more than was expected," an editorial in the Munich daily newspaper *Süddeutsche Zeitung* said Saturday.

On reunification, which Bonn wants and East Berlin opposes, Mr. Kohl conceded that the issue "is at present not on the agenda of world history."

More importantly, he welcomed Mr. Honecker with all of the pomp normally granted to a visiting foreign head of government.

West Germany had never before honored an East German leader in that way, because Bonn officially maintains that East Germany is not a foreign country but a separate "state" in a German "nation" that someday will be reunited.

Three bilateral agreements were signed in addition to the communiqué, and together they clear the way for a small but discernible jump in cooperation in diplomacy, science, trade, sports and cultural affairs.

Mr. Kohl reported to parliament Thursday that the results had been "considerable," and he expressed optimism that "this will be clearer in the coming months." He said that progress had been achieved "to ease the painful consequences of the division of our fatherland."

Mr. Honecker said in a departure statement Friday that there had been "a row of positive results." He said that East Germany would show "the necessary good will, realism and judgment" to ensure continued progress.

The inter-German thaw is risky for both sides, and it could easily be chilled, according to Bonn officials, diplomats and other observers.

In particular, a downturn in U.S.-Soviet relations would force the two Germanys to back off. Historically, Bonn and East Berlin have been able to move closer together only when the overall East-West relationship is relatively relaxed.

Moreover, there is no guarantee that East Germany will follow through in a significant way on its commitment to relax travel restrictions. It will be able to do so only if the leadership believes that the economy is sufficiently strong to keep large numbers of people from emigrating.

The leadership will have to move cautiously to avoid raising expectations at home to the point at which they become destabilizing. The attractiveness of Mikhail S. Gorbachev's reform program in the Soviet Union has already contributed to a modest spurt of unauthorized demonstrations in East Berlin in recent months.

For West Germany, its flirtation with the East could tug it away from the Western alliance in subtle ways. For instance, an increase in inter-German trade could run afoul of restrictions on technology exports to the East bloc.

The improvement in relations will be sustained in coming months only if there is progress on conditions at the border.

Bonn government sources privately expressed the hope that East German border guards had already been told to hold their fire, except if other guards or soldiers sought to escape.

Mr. Honecker's statement on the border was couched ambiguously. He said that the inter-German border could someday become like the East German-Polish one.

In order to make a private visit to Poland, East Germans require a notarized invitation from a Pole.

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Bishop David Russell, right, speaking to a major in the Ciskei police during a memorial service for Steve Biko.

Biko Death Anniversary Is Marked by Activists

United Press International

JOHANNESBURG — Archbishop Desmond M. Tutu and black activists have paid tribute to Steve Biko, the black dissident who died in police custody 10 years ago.

The unveiling of a plaque at Mr. Biko's grave in the township of Ginsberg, on the southeastern Cape Province seaboard, was earlier, 200 followers of the Azanian People's Organization, or AZAPO, gathered at a community center in Ginsberg, Mr. Biko's hometown, to commemorate his death on Sept. 12, 1977, from unexplained head wounds sustained during police interrogation in a jail cell.

Archbishop Tutu, who was visiting South-West Africa, or Namibia, sent a message to the meeting, praising Mr. Biko as "a man of his time who is assured of a place in history."

"Had he lived today, he would have said unity is the way to knock off the shackles of oppression," the Anglican church leader said.

Mr. Biko, 30, a proponent of nonviolent "black consciousness," was arrested in King Williams Town in the eastern Cape on Aug. 18, 1977. He was taken to nearby Port Elizabeth on Sept. 6 for questioning.

Testimony at an official inquiry into his death revealed that Mr. Biko had been left alone, naked and manacled, on a grass mat on the stone floor of a Port Elizabeth police cell after being hurt during interrogation.

On Sept. 11 he was driven, semi-conscious and still naked, in the back of a police truck more than 700 miles (1,130 kilometers) to Pretoria, where he died the next day of brain damage.

Mr. Mahathir, who made himself justice minister in a cabinet shuffle in May, said that the call for a review of the constitution was extremely dangerous and could create uncontrollable tension in Malaysia.

It would, he contended, open the door to contentious challenges to racial, religious, linguistic and citizenship rights contained in the constitution.

Analysis said that while government leaders professed to be gravely concerned over the implications of a constitutional review, the propensity of the High Court and the Supreme Court to rule against the executive in politically significant cases also was a major factor behind the official criticism of the judiciary.

For example, the High Court quashed earlier this month a government decision not to allow Alirna, a Malaysian civil rights group that is frequently critical of official policies, to publish a magazine in the Malay language.

The High Court will soon begin hearing two cases that are of critical importance to the United Malays National Organization.

The party, known as UMNO, is headed by Mr. Mahathir. It is the dominant partner in the ruling national front linking political groups that represent Malaysia's different races, mainly Malays, Chinese and Indians.

In one of the cases, the court is being asked by 12 UMNO dissidents to nullify voting results at the party's last general assembly in April on grounds of irregularities. A ruling in favor of the petitioners probably would be followed by fresh elections.

The party elections, normally held every three years, were marked in April by an unusually strong challenge to Mr. Mahathir and his supporters by UMNO dissidents.

They included some members of Mr. Mahathir's government, all of whom were purged from the government shortly afterward.

These dissidents contend that under Mr. Mahathir, who became prime minister in 1981, government has become increasingly autocratic, that policies have been poorly implemented and that UMNO funds have been squandered.

Mr. Mahathir has repeatedly denied the allegations.

The second politically important case to be heard soon by the High Court is a lawsuit filed by Lim Kit Siang, secretary-general of the Democratic Action Party, the main opposition group in parliament.

Waldheim Boomed at Austrian Festival

LINZ, Austria (Reuters) — Boos and whistles met President Kurt Waldheim at the opening of a music festival on Sunday in a ceremony carried on Austrian television news.

Demonstrators who penetrated tight security at a concert hall where the festival was held displayed banners that read "We need an antifascist" and showered leaflets from the gallery. Mr. Waldheim has been accused by Jewish groups of involvement in Nazi war crimes. The former United Nations secretary-general denies the allegations.

Mr. Waldheim, 71, a construction worker, was forced to emigrate to Sweden on Saturday with his wife and 12-year-old son. Officials of the KGB security police had told him "you can either go west or east, and east meant Siberia," he said at an airport press conference.

The official Baltic groups that will be represented in the coordinating council are the Estonian Group for Full Disclosure of the Molotov-Ribbentrop Pact, Helsinki '86 of Latvia, and an ad hoc group of former Lithuanian political prisoners. Nationalists from all three Baltic states previously have signed joint appeals on various issues, such as a nuclear-free zone in the Baltic.

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WORLD BRIEFS

Israel Detains Prominent Palestinian

JERUSALEM (WP) — A man widely considered to be a top leader of the Palestinian nationalist movement in the Israeli-occupied territories, has been detained without charge for the third time in the past six months, an action denounced by Israeli and Palestinian human rights activists.

Faisal Husseini, the chairman of the nonprofit Arab Studies Society and a noted political activist, was arrested late Saturday by agents of Shin Bet, the Israeli internal security service, who surrounded his home in Arab East Jerusalem, according to a spokesman for the society, Mr. Husseini, 47, is a scion of one of Jerusalem's oldest and most politically influential clans.

The Israeli authorities have said that Mr. Husseini is the chief operative and spokesman in the West Bank for el-Fatah, the dominant wing of the Palestine Liberation Organization, which is outlawed in Israel as a terrorist organization. Mr. Husseini has long denied any involvement in illegal activities.

France Redeploys Chad Air Defenses

PARIS (Reuters) — Defense Minister Andre Girard said in an interview published Sunday that France was moving its air defense force in Chad toward the north of the country.

Mr. Girard ruled out sending any more troops to the former French colony to support President Hissene Habré in his border clash with Libya. France has 1,200 men, mainly around the capital, N'Djamena, providing air cover and logistical support for Mr. Habré's troops.

"There is no question of sending a single extra soldier" to Chad, Mr. Girard told the weekly newspaper *Journal du Dimanche*.

Baltic Dissenters to Coordinate Action

STOCKHOLM (IHT) — Human rights activists who organized demonstrations in Estonia, Latvia and Lithuania last month are forming a council to coordinate future actions in all three of the Soviet Baltic republics, according to Thi Madison, who led a march in Tallinn.

Mr. Madison, 37, a construction worker, was forced to emigrate to Sweden on Saturday with his wife and 12-year-old son. Officials of the KGB security police had told him "you can either go west or east, and east meant Siberia," he said at an airport press conference.

The official Baltic groups that will be represented in the coordinating council are the Estonian Group for Full Disclosure of the Molotov-Ribbentrop Pact, Helsinki '86 of Latvia, and an ad hoc group of former Lithuanian political prisoners. Nationalists from all three Baltic states previously have signed joint appeals on various issues, such as a nuclear-free zone in the Baltic.

Waldheim Boomed at Austrian Festival

LINZ, Austria (Reuters) — Boos and whistles met President Kurt Waldheim at the opening of a music festival on Sunday in a ceremony carried on Austrian television news.

Demonstrators who penetrated tight security at a concert hall where the festival was held displayed banners that read "We need an antifascist" and showered leaflets from the gallery. Mr. Waldheim has been accused by Jewish groups of involvement in Nazi war crimes. The former United Nations secretary-general denies the allegations.

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Communists Are Ousted From Philippine Village

MANILA

Government troops have dislodged Communist rebels entrenched in a village near Manila after fighting in which more than 30 persons were reportedly killed, the army said Sunday.

Major Vidal Quirol said that troops and about 40 guerrillas fought for 10 hours Saturday in the rebel stronghold of San Juan, in Bataan Province, 35 miles (60 kilometers) west of Manila.

Major Quirol said the rebels had fled and were being hunted.

"This is the kind of victory President Aquino had asked for when she called on her army to give her a string of honorable victories," he said in an interview.

Major Quirol, regional operations chief, said the dead included 30 soldiers.

San Juan has been under rebel control for years. Communist forces paraded with their guns there when a 60-day cease-fire took effect in December.

In Manila, at a rally Sunday of 30,000 young people, supporters of President Corason C. Aquino called on Filipinos to defend her against another coup attempt by dissident military officers.

The backers sought to renew "people power," a mass outpouring of Filipinos into the streets that helped sweep her into office last year.

"Let us all unite, link arms and tell our enemies that we will not allow them to take away the freedom and democracy we worked very hard for," Senator Joey Linza told university students at the rally in a central park.

After the government supporters dispersed, 1,000 people, mostly backers of former President Ferdinand E. Marcos, occupied the same park.

68 Executed in U.S. Since '77

WASHINGTON

Since the U.S. Supreme Court reinstated capital punishment in 1977, 68 of the 2,839 convicts sentenced to death have been executed, the Bureau of Justice Statistics reported Sunday.

Justice Harun Hashim, a High Court judge, suggested that the prime minister's power to declare a state of emergency should be subject to annual parliamentary approval, and that the procedures for choosing members of the Senate and holding general elections be changed.

Sultan Azlan Mubibuddin Shah, a former lord president of the

Supreme Court, proposed that individuals and organizations be invited to submit their views on amendments to the constitution.

"Such a move," he said, "would release much of the tension within our society and channel popular energies into fruitful and constructive channels."

AMERICAN TOPICS

Roadside Architecture Is Being Preserved

Vintage roadside architecture — huge signs, roadside architecture — huge signs, roadside architecture — huge signs...

rights brought \$1 million, and the paperback sale fetched \$3 million, a record for a first novel. Despite his sudden riches, Mr. Turow plans to continue with his Chicago law practice...

Governor Mario M. Cuomo of New York has been traveling a lot this year but he is not seeing much of the country or its people. He almost never explores the place he is visiting...

Short Takes

The police department in Central Falls, Rhode Island, has held its own traffic and misdemeanor courts for the past 30 years or more, with officers presiding over trials in violation of state law and the U.S. Constitution...

In Dearborn, Michigan, the Henry Ford Museum is setting up an exhibit that will include a 1946 diner, an old Holiday Inn sign, a simple 1931 tourist cabin, parts of a miniature golf course...

Suffolk County, Long Island, plans to move a two-story duck inside of wire mesh, concrete and stucco from its present site, which is threatened by development, to a safer location. In Albuquerque, New Mexico, a partnership of business and the National Trust for Historic Preservation is preserving a shopping area a mile and a half (2.4 kilometers) long...

Notes About People Scott Turow's novel "Presumed Innocent" has been a best seller most of the summer. The film



A LIBERTY FLAME FOR FRANCE — The West Point Glee Club performed during the unveiling of the Flame of Liberty, a copy of the flame held by the Statue of Liberty, in Jersey City, New Jersey. The flame replica, built by the French craftsmen who restored the statue for its centennial last year, is to be presented to France, commemorating close French-American ties and the 100th anniversary of the International Herald Tribune.

court. The practice, which began when the town's district court closed in the 1950s, was exposed last month by the Providence Journal. Local officials say the trials were well-intentioned attempts to speed the course of justice and unburden the state courts of minor cases.

band of Prime Minister Margaret Thatcher of Britain. The founder is Charles E. Horner, an associate director of the U.S. Information Agency. His wife, Constance, is director of the federal Office of Personnel Management.

most impact on the world in this century? The New York Times reports that the most frequently mentioned men are Churchill, Einstein and Franklin D. Roosevelt; Margaret Thatcher, Eleanor Roosevelt and Margaret Sanger, the population control pioneer, are the top women. The Times found that Henry Ford and the Wright brothers are seldom mentioned.

Fat Americans ended its annual convention last week in Newark, New Jersey. About 200 members showed up. William F. Abbey of Port Washington, New York, said he founded the nonprofit group 18 years ago to help "those with the abundant figure" lift one another's self-esteem. Fat people are "the last safe minority to pick on," said the association president, Eileen M. LeFebvre, "and we resent it immensely."

Liberals Triumph in Ontario Voting; Result Seen as Setback for Mulroney

TORONTO — The Liberal Party has been returned to power in Ontario, the most populous Canadian province, after an election campaign dominated by a proposed free trade agreement between Canada and the United States. Final returns Friday gave 95 seats in the 130-seat Legislature to the Liberal Party, which was out of power in the province for more than 40 years before forming a minority government after the previous election two years ago.

tain a wary attitude on the free trade issue. But it was seen as a setback for Prime Minister Brian Mulroney, the Conservative leader, who has made a trade pact with the United States the centerpiece of his policy. Mr. Mulroney was elected in a landslide three years ago, but has seen his own standing, and that of his party, erode badly in national public opinion polls. In recent Gallup surveys, the Conservatives ranked third among the major parties, with 25 percent of support.

record face an Oct. 5 deadline set by the U.S. Congress when it approved the talks in 1985. But agreement has been stalled by disputes over several major issues, and political opposition to several elements in the proposed agreement has been building on both sides of the border. In Canada, one of the most influential voices will be that of Mr. Peterson, who used his victory speech on Thursday night to renew his campaign pledge to fight any trade agreement that fails to meet several conditions, including adequate protection for Ontario's automobile industry.

OTTAWA — The director of the domestic intelligence service in Canada has resigned after the agency admitted using false information to obtain a wiretap on a Sikh suspect. The government announced Friday that Ted Finn, director of the Canadian Security Intelligence Service, would be replaced by a career diplomat, Reid Morden. Although there were widespread rumors that Mr. Finn had been dismissed, Solicitor-General James Kelleher would say only that Mr. Finn had offered his resignation and it had been accepted. Earlier Friday, a lawyer for the intelligence service told a federal court that the agency had used unreliable information when it went to court seeking a wiretap on the Sikh suspect, Harjit Singh Arwal of Surrey, British Columbia, after the bombing in 1985 of an Air-India airliner that had left from Canada.

Albanian Yacht Rescue Brings Overture to U.S.

By Henry Kamm New York Times Service BELGRADE — In a sharp departure from its longstanding hostility toward the United States, Albania rescued a yacht owned by an American that entered its territorial waters during a storm in June, sheltered its four passengers for three days and allowed them to continue when the weather improved.

ment in Tirana has maintained the entire nation of 2.9 million on a permanent alert against suspected spies, encouraging suspicion of anyone who neared Albanian territory. As late as 1983, Albanian coast guards shot and killed two French vacationers on a skin-diving excursion from the Greek island of Corfu.

Both emphases confirmed that the rescue and the exchange of notes had taken place, but said the incident had no significance in the relations between the two countries. Nonetheless, an Albanian diplomat said he knew of no other note sent to the United States, except for requests for visas for delegates to the United Nations. A West European diplomat said that even the rescue was not in keeping with Albanian actions in the past. The dispatch of a courteous note to the United States, which was not required, indicated a marked relaxation of earlier attitudes, he added.

Albania is extremely vigilant over its Adriatic coastline, which borders Yugoslavia on the north and Greece on the south. In its uncompromising, nonaligned brand of Communism, the govern-

ARMS: Reagan Rejects Pentagon Stance, Signaling Desire for Accord Soon

(Continued from Page 1) the outset of the agreement to demonstrate good faith. Administration officials who support the president's recent decision said the moves would remove potential stumbling blocks that would have delayed an arms effort to verify Soviet treaty compliance. They said that Mr. Weinberger's proposal to include nonnuclear missiles was opposed by the intelligence community and the State Department because of the difficulty of ensuring that missiles with ostensibly nonnuclear warheads were not armed with nuclear weapons.

amendment that would put the Defense-controlled Senate on record against any arms control provisions that would "further the interests of the Soviet Union." The retreat, announced after consultations with the White House by the Senate Republican leader, Bob Dole of Kansas, came as a surprise to Democratic leaders. Instead of fighting the maneuver, the Republicans decided to cut their losses. They knew that even if they succeeded in blocking the Democrats on Friday, they faced almost certain defeat Tuesday, when Democrats were expected to muster the 60 votes necessary to end the filibuster.

With Mr. Dole in the lead, most Republicans voted with the Democrats to move immediately to begin debate on the \$303 billion military authorization bill for the 1988 fiscal year. Mr. Dole and John W. Warner of Virginia, the ranking Republican on the Armed Services Committee, proposed language to be considered Tuesday that would oppose any actions "to further the interests of the Soviet Union by unilaterally adopting Soviet negotiating positions that have been rejected by the United States government."

MANAGUA — Monsignor Bismarck Carballo, exiled last year by the Sandinista government, has returned to Nicaragua from the United States. The messenger was greeted by about 1,000 cheering supporters as he stepped from a plane at the Managua airport on Saturday night. President Daniel Ortega Saavedra announced on Aug. 25 that Monsignor Carballo would be allowed to return home as a gesture of good faith under a regional peace plan signed Aug. 7 in Guatemala by five Central American presidents. But Roman Catholic and political opposition leaders were reluctant to view his homecoming as an advance toward the full democracy promised in the accord. "This is no step forward," said Erick Ramirez, president of the Social Christian Party, the largest opposition group. "This is simply the government's recognition of a past injustice."

An official said that Mr. Weinberger, who generally backs tough proposals on verification, had surprised U.S. negotiators and other arms control officials by "demanding something that is essentially unverifiable" on the matter of conventional cruise missiles. But senior Pentagon research officials said they were concerned that a global ban on medium- and short-range missiles would seriously constrain efforts to develop a "boost-glide vehicle" that would be launched from the ground by a rocket. The vehicle would skim over Eastern Europe or the Soviet Union at speeds of up to 12,000

Senior U.S. officials said the new decisions would still leave the two superpowers at apparent odds over the disposition of existing warheads on medium- and short-range missiles. In recent public statements, the Soviet Union has sought assurances that all such warheads would be "destroyed" while the United States favors eliminating the warheads by dismantling them and refurbishing the parts into new weapons not covered by the agreement. ■ Filibuster Dropped Helen Dewar of The Washington Post reported from Washington: Senate Republicans abandoned on Friday their four-month filibuster blocking major military and arms control legislation. But they quickly rebounded, announcing that they would push an

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Monsignor Carballo, a government exile, was head of the Catholic radio when his return from a visit to the United States was blocked on June 28, 1986, two days after the House of Representatives approved \$100 million in aid for the Nicaraguan rebels, known as contras. The radio has been off the air since January 1986.



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Pope Appears to Back Sanctuary Movement for Latin America Refugees

SAN ANTONIO, Texas — Pope John Paul II said here Sunday that people in the United States must keep their doors open to Central American refugees. His comments appeared to give support to the sanctuary offered refugees by some priests and nuns in defiance of U.S. immigration authorities. The Reagan administration has declared that the refugees, mainly from Honduras and El Salvador, are coming to the United States for economic reasons. Priests and nuns protecting them say they are political refugees who risk death if they return home. Speaking to 300,000 mainly Hispanic Americans in an outdoor Mass, the pope said: "Among you there are people of great courage and generosity who have been doing much on behalf of suffering brothers and sisters arriving from the south. They have sought to show compassion in the face of complex human social and political reality."

ping his hands during the singing of the hymn "Black Thankfulness." He said, "I urge you to keep alive and active your rich cultural gifts." The number of black Catholics in the United States has risen dramatically in recent years, to about 1.3 million, from 600,000 in 1960. The increase is mostly due to conversions, according to recent studies. For the most part black Catholics live in Louisiana, with its French Catholic heritage, and big metropolitan areas like New York, Chicago, Miami, Los Angeles and Detroit. There are 11 black bishops out of the 300 in the United States, about 300 black priests, 700 nuns and 250 permanent deacons. Fewer than 5 percent of American blacks are Catholics, and only 2.5 percent of American Catholics are black.

The crowd was half the size expected. Red Cross workers said hundreds of people were sprayed with water and treated for heat exhaustion in temperatures that reached 95 degrees Fahrenheit (35 centigrade). The pope, on the fourth day of his nine-city U.S. tour, said Texas had become a testing ground for whether Americans were committed to their founding principles as they faced a wave of immigration from Latin America. "Hispanic Americans make up about 30 percent of America's 230 million Roman Catholics. By next century they are expected to be the religion's majority ethnic community in the United States."

Black Poverty Assailed Roberto Suro of The New York Times reported from New Orleans: On Saturday the pope denounced the "economic deprivation" suffered by U.S. blacks and praised the nonviolent tactics of the civil rights movement as divinely inspired. Addressing 1,800 black Catholics, he said: "Even in this wealthy nation, committed by the Founding Fathers to the dignity and equality of all persons, the black community suffers a disproportionate share of economic deprivation. Far too many of your young people receive less than an equal opportunity for a quality education and for painful employment." Catholics must struggle to correct these imbalances because, he said, "the church can never remain silent in the face of injustice."

Error Gave Researcher AIDS Virus

WASHINGTON — A researcher at a laboratory associated with the National Institutes of Health was not following proper safety rules when he became infected with the concentrated strain of the AIDS virus he was handling, federal health officials have said. "It seems clear that there was a breach of safety rules," Dr. James B. Wyngaarden, director of the institutes, said Friday. "We carried out an exhaustive review, and we have concluded that the current level of safety in our laboratories is adequate."

Dr. Wyngaarden did not say how the worker erred, but other federal officials said he removed his gloves to take notes in an area where the virus may have leaked from a machine. Officials added that the researcher had skin abrasions on his hands and that the virus that causes acquired immune deficiency syndrome can enter the body through cuts. Researchers at the institutes and their families have expressed concern, wondering how a worker who said he followed guidelines carefully could possibly have been infected. After hours of interviews with the man, who has not developed symptoms of the disease, officials determined that he removed his gloves while working with a viral strain so highly concentrated that it was millions of times more powerful than the one found in humans. In interviews with health officials, the worker said that leakage from medical instruments containing the virus had occurred. For several years, the institutes have tested hundreds of researchers who work with the virus, and this man is the first laboratory scientist known to have become infected. The overwhelming majority of AIDS cases are the result of sexual contact or intravenous drug use, and the virus has also been passed in blood transfusions and from infected mother to fetus.

Earlier, the pope listened as Bishop Joseph L. Howze, a black from Biloxi, Mississippi, said that while black American bishops recently called racism "a stain" on the church, "for us it must be the opportunity to work for the church's renewal as part of our task of evangelization." Before the pope arrived, Bishop James P. Lyke, an auxiliary bishop of Cleveland, told those in the audience that they should feel free to shout "amen" in the style of a revival meeting, and some did. Black Catholics have been pressing the church to permit greater acceptance of such a style of worship, as well as spirituals and hymns of the black tradition, including some that are Baptist or Methodist in origin. John Paul saw much of that Saturday, and he responded by clapping

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OPINION

Herald Tribune

Help the Talks Along

The Reagan administration contends that making peace in Nicaragua requires making the Sandinistas worry about the contras. Otherwise the Sandinistas will promise everything, wait for Congress to stop aid to the rebels — and then deliver nothing. It is a plausible argument, which justifies keeping alive the possibility of further aid to the contras. But that is the only plausible part of the administration's policy, which in almost every respect remains misguided, or worse.

One evidence of continuing U.S. support, the contras' morale may collapse. This Secretary of State George Shultz asks Congress for an unprecedented \$270 million over 18 months. Wisely, he did not ask the White House to call for a vote before Nov. 7. The amount is preposterously high, and in any event Congress would probably defeat any aid request as long as serious negotiations are under way. If Mr. Reagan intends to let the matter rest there, it could make credible his desire to keep the contras viable. Where he really needs credibility, however, is in his diplomacy.

Keep the Pressure On

As Secretary of State George Shultz and Foreign Minister Eduard Shevardnadze prepare to meet this week, twin campaigns are being waged on an issue with a powerful, proven potential to affect superpower relations. The Kremlin, having permitted a slight increase in Jewish emigration, is ostentatiously frowning some of the most prominent remaining "refuseniks." Elsewhere fighters for this cause are warning that the carefully timed release of a few celebrities is part of a broader campaign by Mikhail Gorbachev to buy trade and credit, and accommodation and détente, on the cheap.

This issue — and to what the Kremlin does. There is also the question of arms control. The Soviet foreign minister's meeting with Mr. Shultz should bring within early reach a summit at which President Reagan and General Secretary Gorbachev sign an agreement along the lines of the Intermediate-Range Nuclear Forces talks. The meeting could also bring, at least within sight, a much larger agreement to reduce strategic offensive arms by half. Judging by Kremlin hints, this result does not necessarily hinge on a concession by Mr. Reagan on the Strategic Defense Initiative.

Judgment of a Judge

Of course the Senate should scrutinize the views of Judge Robert Bork, President Reagan's latest nominee for the Supreme Court. The administration's pious protests aside, that would not inject politics into the judicial process. Politics is already there — put there by the Constitution, which says that appointments shall be made "by and with the Advice and Consent of the Senate." What the Senate will have to decide, starting with hearings this week, is not whether politics is involved, but which kind, higher or lower.

deed, was "a serious and wholly unjustifiable usurpation of state legislative authority." The Senate must ask itself, if not the nominee: Does such urgent sentiment mean that he would vote to overturn the 1973 decision, reviving state-by-state agitation? He has objected heatedly to the court's 1965 decision striking down a Connecticut law against contraception. By the same logic, does he think that a state may compel contraception? In the current climate of AIDS hysteria, that is more than a far-fetched hypothesis. Is there more to his judicial agenda? He has suggested that dozens of precedents need correction. When an interviewer asked whether he could identify any Supreme Court doctrines that deserved reconsideration, he replied, "Yes I can, but I won't."

Aquino Has What It Takes for a Tough Job

By Stephen W. Bosworth

The writer was U.S. ambassador to the Philippines from 1984 to last April. This is the first of two articles.

HANOVER, New Hampshire — In the five months since I returned from my assignment in the Philippines, I have repeatedly been asked whether President Corason Aquino "can make it." Initially, I responded with an affirmative nod and a brief "I believe she can." After the recent military coup attempt, however, the question requires a more complete response. If "making it" means turning the Philippines into a stable, prosperous, self-confident model of a developing democracy, the answer is clearly no. The problems are too difficult, the sense of national hope too weak and the time given to Mrs. Aquino until the end of her term in 1992 too short.

months, including some of her original supporters against Mr. Marcos. Throughout the election campaign and in the first months of her presidency, many of the more experienced politicians in her camp assumed that she would reign but not rule and that they would run the country. That proved to be a fundamental misreading of Corason Aquino. She is intelligent and tough-minded. She was tempered by the election campaign and by her successful leadership of the Filipino people during the dramatic events that followed the election and that culminated in Mr. Marcos's flight from Manila to a restless exile in Oahu.



Mr. Bosworth is a visiting fellow at Dartmouth College, where he is writing a book. He contributed this column to The Washington Post.

The News Stories Are Still About the Constitution

By A.M. Rosenthal

NEW YORK — American navy in combat readiness in Persian Gulf. Hart raises privacy issue. Killer executed in Florida. Justice Department organizes anti-obscenity drive. Bork nomination dominates Washington politics. Anti-abortionists demonstrate in state capital. The stories have one thing in common: Every one of them involves the Constitution of the United States. So do dozens of other stories appearing every day in American newspapers and on television.

national debate — particularly when people try to bypass it. That is its uniqueness and its importance. Two hundred years later, the Constitution is not only providing answers, but just as important, raising questions about itself and the society it encompasses. There is no other country so involved in talking about fundamental law, its limits and flexibility. That is why Americans puzzle many others. What is this Watergate affair? What crime did Nixon commit? An Iranian colonel, an aide to the shah, asked me that once. After a couple of minutes we decided to drop it. Even democratic leaders, friends like Prime Minister Margaret Thatcher and President Francois Mitterrand, fail to understand American passion about the Constitution. Europeans react calmly to incidents that would cause a constitutional furor in America — like the British ban of a book published abroad, even newspaper reviews; or the French blowing up of a "peace ship" in New Zealand waters.

This Constitutional Earnestness Is as Good as a Festival

THE U.S. Constitution deliberately diffuses power, seeks to prevent the concentration of power in any branch and at any level of government. This goal is sometimes presented as negative, defensive, the Constitution is trying to avert bad things — tyranny, corruption. But there is a positive side to diffusing power: It brings more people into the workings of government. Nonpolitical organizations, too, by following the constitutional patterns, engage more people in group activities. A state bar association or a convention of a state widget-makers' association offers more people opportunities for participation, for sharing in a common effort.

cheer their idols, but they don't bow or kneel to anybody. The nearest analogue to the Constitution is probably the Bible. It, too, pervades American culture, and it, too, elicits debates and exercises intellect in its explication. Argument over the meaning of a text is a sign that it lives. The most memorable celebration of the Constitution so far this year has been the Iran-contra hearings. The congressional investigation and the public's absorption in it testify to how profoundly Americans care about constitutional propriety. The Constitution has educated Americans to be concerned not only about policy but about how policy is executed, and to discriminate between legitimate exercise of power and abuse of power. Investigating whether power has been usurped is a more fitting celebration of the bicentennial than self-congratulation. Continuing rejection of cynicism about constitutional government is cause for celebration. This earnestness is as good as a festival.

The True Place for a Just Man . . .

By Colman McCarthy

WASHINGTON — A friend writes from Oakland: "I am getting myself back into the horror of several days ago. Brian . . . is, as usual, a source of strength and support for me, even as he lies legless in a hospital bed. 'I haven't begun to translate the horror of what I experienced into words except to observe that it has provided both the ugliest vision of my life — the raw, brute reality of the train bearing down — and the most beautiful; a maimed and bandaged friend whom I had seen smashed and broken only 24 hours before, smiling weakly, and asking for baseball scores.'"

a more serious crime "than destruction of defense property." An appeals court judge, with an imagination in sounder condition, said in a dissent to the 2-to-1 upholding of the decision: "The actions of the . . . defendants constitute part of the growing clamor against the nuclear threat. Through their dramatic act of civil disobedience, [they] seem to have sacrificed their own freedom in hopes of awakening the public to the grave danger of nuclear annihilation. Brian Wilson is surely a part of that clamor. While the full story of his victimization is still to come out (members of Congress are calling for a hearing), his heroism brings to mind a 1978 railroad demonstration by 140 people at a Colorado nuclear warhead factory. Jim Wallis, editor of Sojourners magazine, wrote of his action: 'Ten minutes after we walked onto the tracks a rain began to fall. Throughout that wet and bitterly cold night, I thought about what it means to 'wage peace.' I first pictured centuries of soldiers sitting in rain and cold as we were that night. People have always been ready to leave their families, go to faraway places, endure incredible hardship, and even die in order to wage a war. Is it conceivable, I wondered, that the cost of peace could be less?' Thoreau put it another way in 'On the Duty of Civil Disobedience.' 'Under a government which imprisons any unjustly, the true place for a just man is also a prison.' For the just Brian Wilson, a hospital ward is the same.

Unwelcome Trouble For NATO

By Jim Hoagland

PARIS — An American effort to persuade Britain's Lord Carrington to extend his tour as NATO secretary-general has failed. The alliance now faces a divisive contest in choosing its new civilian leader. NATO does not need more discord. Protracted intra-alliance bargaining over the proposed U.S.-Soviet Entente treaty has left deep scars on Chancellor Helmut Kohl's coalition government in Bonn, and new skirmishing could reopen those wounds. Washington's intermediaries could not persuade Lord Carrington to put up with another year of consuming between London and NATO headquarters in Brussels as a way out of an unenviable public contest. His successor, Margaret Thatcher's former foreign secretary, who has given notice that he will formally leave the NATO job next June, no longer craves his boredom with Brussels and his frustration with NATO's bureaucracy.

The opening round of this succession struggle pits Mr. Kohl's nominee, Defense Minister Manfred Wörner, against Norway's Kaare Willoch, a former Conservative prime minister. It is a match between defense expert Wörner and accomplished political operator Willoch. But in a larger sense the struggle is along a dangerous fault line within NATO, with the alliance's largest members compelled to back Mr. Kohl's choice while its smaller members prefer the Norwegian. They also feel that it is again the turn of a small NATO country to have the secretary-general's post. Mr. Wörner has shown a mastery of defense issues in his four years in Mr. Kohl's cabinet. His handling of the deployment of Pershing-2 and cruise missiles in 1983 impressed American officials, as does his easy communication with the U.S.-dominated military command of NATO. But he has been on the losing side of the Euromissile debate since the deployment victory of 1982. He has openly skirted the issue of the "double zero" proposal last spring, and he fought a rear-guard action against Mr. Kohl's decision last month to phase out the aging Pershing-1A missile launchers under West German control.

Chancellor Kohl seeks to ease Mr. Wörner's anger and humiliation over those decisions, and to calm a restive right wing, by winning the NATO job for his defense minister. Washington and Paris will both back him, out of fear that another political embarrassment for Mr. Kohl on alliance affairs could be damaging in Bonn. Britain's position is less clear at this point. Mrs. Thatcher, who has never hit it off with Mr. Kohl, does not feel she owes him any favors, allied diplomats say. Britain also may want to support the principle of rotating the job between large and small countries. Norway's unusual announcement of Mr. Willoch's candidacy was apparently calculated to keep Britain from committing its support to Mr. Wörner. If Oslo can gain Mrs. Thatcher's backing or neutrality, it can stop him. That, unfortunately, does not mean that Mr. Willoch automatically wins, even though he is the right candidate at the right time. His political skills are what the alliance needs at a time when it will be wrestling with Mr. Gorbachev's adept diplomacy, the aftermath of the Euromissile controversies and growing problems with Spain, Greece and Turkey on the southern flank.

Mr. Wörner's strong partisan involvement in the Euromissile debate would serve to keep contentious issues center stage in the badly needed debate on alliance strategy that a Soviet-U.S. treaty will bring. Moreover, his candidacy is unpopular with the kind of support it is getting in official contacts from the West German Foreign Ministry, run by Mr. Wörner's longtime foe Hans-Dietrich Genscher. Unable to agree on either Mr. Wörner or Mr. Willoch when the special representatives meet in Brussels this month to review this question, NATO may temporize and then move to a "compromise" candidate like Belgium's foreign minister, Leo Tindemans, who has positioned himself for this scenario by dropping his active candidacy. That would be like ordering rest water to balance fish and meat courses at dinner. The compromise would please no one. If drawn out, it would damage Mr. Kohl and leaving Mr. Willoch's talents untapped by NATO. (Mr. Wörner would undoubtedly continue as defense minister in Bonn.)

Washington should throw its weight behind resolving this contest quickly and decisively. In the best of all worlds, that would mean early selection of Mr. Willoch. With Mr. Gorbachev's autumn peace offensive taking shape, NATO should not dawdle.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Wife to the Rescue

NEW YORK — A reconciliation is about to be effected between General Daniel E. Sickles and his wife, who have been separated twenty-seven years. General Sickles married Setty Carolina Guerrero when he was American Minister to Spain in 1870, but owing to a disagreement the couple separated some years later. His wife recently heard that the general's library and art collection were to be sold by the sheriff. She immediately sold her jewels and paid her husband's debts. Through this incident the couple have come together again, and their friends believe their differences will be buried.

1937: A Klan Member?

NEW YORK — A violent new campaign against the recent appointment of former Senator Hing Lafayette Black to the Supreme Court bench, to succeed Willis Van Devanter, was unleashed today (Sept. 13) with the publication by the Pittsburgh Post-Gazette of the first of six copyrighted dispatches claiming that the new justice, who is now vacationing in Europe, is a life member of the Ku-Klux Klan. Although the Ku-Klux Klan charges were brought up at the time of Mr. Black's appointment, new details were contained in the Post-Gazette article. According to it, the Roosevelt appointee joined the Alabama Ku-Klux Klan in 1923 and resigned in 1926 on the news of his campaign for Senate nomination, rejoining the night-riding organization and becoming a life member in September, 1926, after his nomination.

Advertisement for Mission Oil. Text includes: "Mission Oil", "U.S. Hopes", "In the", "to disc", "peah b", "break", "Great", "This un", "tion th", "in Cou", "States", "and an", "I'm th", "least th", "they've", "very thi", "official", "He a", "poblem", "rent", "into a p", "time line", "to keep", "support", "supplies", "Iraq", "most to", "done th", "atmosph", "lar's pe", "suring", "Gulf, a", "We", "self-de", "get dow", "He g", "ground", "attacks", "full, an", "at per", "at fault", "unity", "Iraq", "Iran's", "fire an", "the att", "attacks", "tankers", "The", "for a h", "withdr", "CC", "have e", "even b", "His", "were h", "time o", "month", "ning w", "The", "sen a", "strat", "lysts a", "enthus", "place b", "In h", "Reagan", "But he", "safega", "ADV", "In August 1984, the Government", "Constitutional President, Ing. Lado", "Established petroleum policy guidelines", "and exploration of hydrocarbons, E", "and Mines, the guidelines set out the", "— To explore, through foreign", "million hectares, two and one half", "American region, and one and a half", "in order that, in the next four years,", "of known reserves by approximately", "amount of investment required amou", "exploratory wells and twenty thou", "— To develop, through the Pet", "dorian State (CEPE), exploration ac", "hectares located in areas close to", "the Amazon Basin, the goal being", "with a capacity to produce at least", "Since 1984, when this policy wa", "necessarily four calls for tender. E", "services for the exploration and ex", "been signed and the exploration of", "companies and five hundred thous", "carried out.", "Investments secured by means of", "300 million dollars, which shall be", "exploratory wells and 16,000 hec", "Petroleum, Occidental and Conoco", "have already discovered five", "developed in the next few years. C", "wells and has built 2,000 kilowatt", "and detected commercial oilfields in", "At the present time, other four", "companies associated in consortium", "the operators are OCCIDENTAL, I", "TECO, TEXACO, CONOCO, TEBN", "TBO-CANADA, which is an author", "economic and contractual conditio", "Ecuador has implemented in the con", "and exploitation of a hydrocarbon", "In June of the current year, the", "purpose being to fulfill the go", "to be under the Government of", "called for the Government of", "Ecuadorian Amazon region and one", "These blocks are indicated on the", "most important in the contracting", "petroleum Basin, with its great", "Considering the conditions of ac", "of profit sharing of the oil exploita", "ment of foreign enterprises as well", "to a great number of oil companies", "holders on October 15, the last day

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UN Mission to Gulf Prompts U.S. Hopes of Opening to Iran

By David B. Ottaway

Washington Post Service

WASHINGTON — Reagan administration officials, breaking with their normal caution in Middle East forecasting, say they see an unimpaired chance for a breakthrough in long-stalemated diplomatic efforts to bring Iran to the negotiating table and perhaps end the seven-year Gulf war.

These officials say that Iran's decision to receive the United Nations secretary-general, Javier Pérez de Cuéllar, to discuss "implementation" of a United Nations Security Council cease-fire resolution represents something of a watershed in Iranian diplomacy — not just a change in its objectives — that offers the first opportunity to engage Tehran directly on a settlement.

They attribute this new Iranian attitude mostly to Iran's growing isolation, caused largely by mutual big-power cooperation in applying pressure on Tehran to halt hostilities. They also acknowledge that Iran's diplomatic tactics could easily change again overnight, or that a new escalation in fighting could destroy the chance for a breakthrough.

"Ironically, it is the unpredictable actions of Iraq, the country that would benefit most if U.S. efforts to end the war succeed, that are now a source of great concern for U.S. officials. They fear that Iraq's declared policy of continuing to attack Iranian oil facilities in the Gulf until a final political settlement is reached could provoke Iran to break off peace talks.

The Iranians, who have traditionally insisted on numerous conditions before peace talks, have now reduced their demands to one: that the UN condemn Iraq as the initial aggressor in the war. The UN cease-fire resolution of July 20 provides for establishing an "impartial body" to investigate responsibility for the war. Iraq has said it is ready to let the International Court of Justice decide this issue.

President Ali Khamenei of Iran told Mr. Pérez de Cuéllar, who left Baghdad after two days of talks in Tehran on Sunday, that Iran's cooperation in a search for a war settlement depended on the UN finding "a formula" for punishing Iraq as the aggressor.

This and other Iranian statements about the UN secretary-general's visit did not make it clear whether any real progress had been made to substitute U.S. optimism about chances for a breakthrough.

forces to internationally recognized borders and a negotiated political settlement to the conflict.

The likely immediate prospect, U.S. officials fear, is a kind of gray diplomatic situation that Iraq will find intolerable, one in which Iran will continue to avoid a clear-cut total acceptance or rejection of the UN cease-fire resolution while it leaves open the door for further negotiations.

U.S. officials concede that such a ploy could also derail the Reagan administration's plan to press immediately for a UN arms embargo on Iran in the absence of a clear acceptance of the cease-fire resolution during Mr. Pérez de Cuéllar's visit to Tehran.

They say they fear that if the UN secretary-general, on the basis of his consultations with both Iran and Iraq, asks for more time to give diplomacy a chance, both the Soviet Union and China will back him. In this case, the United States would have serious difficulty in getting the five permanent Security Council members to support a resolution calling for an arms embargo on Iran.

The senior official indicated that there was already concern that the Soviet Union and China would abstain on a vote to impose an arms embargo in any case.

Administration officials, who readily admit that U.S. intelligence on internal Iranian politics is poor, say they have seen no indication that Iran's unpredictable and often volatile leadership has abandoned its main war goal — the overthrow of the Iraqi regime of President Saddam Hussein.

"There is a shift in Iranian diplomacy," remarked another U.S. official, "but is there a shift in objectives? I doubt it."

Syrian Promises 'Good News' on Anglican Envoy

The Associated Press

DAMASCUS — The Syrian defense minister has told Church of England envoys that he will have "good news soon" about Terry Waite, the missing Anglican hostage negotiator, a source close to the church delegation reported.

The source gave no further details nor did he say if Lieutenant General Mustafa Tikas had elaborated on his remarks to the six-man delegation sent by Archbishop Robert Runcie, the Church of England primate.

He quoted General Tikas as telling the group that "Syrian efforts to free Terry Waite continue."

The mission was led by Canon Paul Oestreicher, director of the church's International Ministry, and included officials of the Brussels-based Pax Christi movement.

Mr. Waite, 48, vanished Jan. 20 in Beirut after leaving his hotel to keep a night-time rendezvous with a Shiite Muslim faction.

PARIS: Idle Youths and Tourist Throngs Change Image of Champs-Élysées

(Continued from Page 1)

district-by-district crime rates, but local officers said the Champs-Élysées area's record was no worse than that of other crowded parts of the city. Other officials said that the rate had actually dropped over the past three years since the police began clamping down on street crime in Paris in general.

For foreigners, imbued with the folklore of the 1930s, the image of the Champs-Élysées is that of a place where starlets and haute couture models hurried about their affairs, their hips swinging with the rhythmic precision of metronomes. Paparazzi would snap the latest fashions as hemlines rose and fell.

For the French, harking back to the same era, it used to be a good place to end a Sunday drive, to park the two-tone Citroën DS and take the children for an ice cream at a sidewalk café while fathers sipped beer and mothers drank Campari.

With its flashy car showrooms exposing the latest excess in chrome plating, it became a symbol of postwar prosperity.

By the mid-1970s the consensus was that the era of the Champs-Élysées was over. Now, Parisians regard the Champs-Élysées at night as a place for others: for foreign tourists, provincials and banlieusards, or suburbanites.

"Parisians only go to the Champs-Élysées to see a movie," a Paris doctor said. "Those Parisians who want a stroll and a drink stick to St.-Germain-des-Près" across the Seine on the city's Left Bank.

As for the smart boutiques, store owners report a fall in customers from the Gulf region, a decline they blame on the oil glut and falling oil prices in the early 1980s.

"There are no more foreigners," a salesman at Gregory, a men's outfitter in the Arcades du Lido, one of several smart shopping arcades along the Champs-Élysées, said. "There are no more Arabs, no more Iranians, no more Iraqis or other customers from the Gulf."

The vendor, whose store is due to close shortly because of the slackening trade, added: "The French fled from the Champs-Élysées long ago. Our problems have come from the worldwide economic crisis."

At Ted Lengley, another store in the same arcade, a salesman said trade on the avenue had suffered from a general drop in tourists, particularly from North America and Scandinavia, since France began requiring visas for many visitors as part of its measures to combat terrorism.

"It's difficult to pin down one particular problem," he said.

"When the sun shines, the ice cream vendor is happy; when it doesn't, the umbrella merchant is. The district, like the Côte d'Azur, has been affected by a drop in tourists and by the arrival of those who would rather eat a sandwich than a good meal."

Apart from one or two smart bars or restaurants, such as Fouquet's on the corner of the Avenue George V, most Champs-Élysées cafés have gone decidedly "down market." Many of them are joints whose only dish is chicken and French fries, restaurants that belong to the cheapest of French chains or to American or imitation-American hamburger chains.

While local officials lament the drop in standards, they say that there is little the city can do.

"We cannot turn the Champs-Élysées into a museum," said Mr. Lebel. "Commerce is free."

Even in the dog days of mid-August, the cheap eating houses were doing good business during a period when tourists outnumbered locals on many Paris streets.

According to the staff at Fouquet's, the more elegant establishments also do well, receiving a flow

of well-heeled customers, many of them coming from the smart hotels on the Avenue George V.

On Saturdays the Champs-Élysées sometimes seems to be the preserve of leather-jacketed youths from the suburbs.

Local officials say that the express metro service linking outlying areas to the center of Paris, which opened in the mid-1970s, has put the Champs-Élysées and Les Halles within just a brief ride for youngsters with few distractions nearer home.

The fading image of the Champs-Élysées has had no effect on real estate values, according to Mr. Lebel, since most buildings house offices and stores that close during the hours when the avenue is at its least appealing. Some of its buildings have been acquired by Gulf Arab and British insurance groups in recent years, testifying to its continuing interest to financiers, he said.

The message to those who worry about the avenue's character is that people should leave it alone, the mayor added, that it should be depopulated.

"Don't come back for the next 20 years," he said, "and I promise that it will be the way it was before."

CONTRA: A Rebel Foothold Is Reported in Nicaragua

(Continued from Page 1)

have gotten safeguards and might even be fatally flawed.

His remarks Saturday, which were his most critical yet, came at a time when the plan, adopted last month in Guatemala City, is winning wide support in Congress.

The White House now has chosen a strategy that Reagan administration officials and outside analysts say is intended to deflate enthusiasm for the proposal and place blame on Congress if it fails.

In his weekly radio address, Mr. Reagan said he welcomed the plan. But he said it "falls short of the safeguards for democracy and our national security" that he said were in a proposal he offered earlier with the speaker of the House, Jim Wright of Texas.

The administration has told Congress it will seek \$270 million in new aid for the Nicaraguan rebels sometime after Sept. 30.

In the radio address Saturday, Mr. Reagan said that "there should be no uncertainty of our unwavering commitment to the contras."

Mr. Reagan, in an interview with U.S. News & World Report, said he believed the requirement that the United States end aid to contras while letting the Nicaraguans still receive aid from the Soviet Union

TALKS: Shevardnadze in U.S.

(Continued from Page 1)

addition to the White House luncheon, the U.S. side will host a cruise on the Potomac River and a State Department dinner for Mr. Shevardnadze. Soviet officials plan a luncheon for the Americans at the Soviet Embassy.

U.S. Expectations
David K. Shipler of The New York Times reported from Washington: Reagan administration officials, apparently trying to prod the Soviet Union to make a major new effort on arms control, expressed

GERMAN: Seiback for Kohl

(Continued from Page 1)

had cost the Christian Democrats votes in Schleswig-Holstein.

He also blamed an election-eve article by the left-oriented magazine Der Spiegel, which accused the Christian Democratic state premier, Uwe Barschel, of having waged a dirty-tricks campaign against his Social Democratic opponent.

On Thursday the Social Democrats won a court order forcing the Christian Democrats to withdraw a campaign newspaper article saying that the Social Democrats planned to decriminalize child sex if elected.

In Bremen, the left-center Social Democratic Party, which is in the opposition in Bonn, retained its absolute majority.

The environmentalist-pacifist Greens nearly doubled their votes in the North Sea port, which is West Germany's smallest state.

VOTE: New Caledonia Backs Paris

(Continued from Page 1)

overseas departments in the Caribbean, said the "New Caledonia balloting showed 'triumphant participation' by the population. In a statement, he called on all the territory's political movements to "draw the conclusions of the uncontested choice that has just been democratically expressed."

"I invite them to look toward a future of solidarity with confidence and lucidity," he said.

Bernard Pons, Mr. Chirac's minister for overseas territories and overseas departments, said the participation level "went beyond our most optimistic forecasts."

Yann Céleste Urepi, a leader of the separatist Kanak Socialist National Liberation Front, said in the vote that his movement "categorically rejects" the referendum, and he called for a new election in which only Kanaks would take part.

"The Kanak people remain the only legitimate people of this land," he said in a statement. "They reject the results of this fake and anti-democratic referendum, which settles nothing and does not conform with the principles and practices of the United Nations."

According to French officials, the Kanaks now make up about 40 percent of the 140,000 inhabitants

Quake Jolts Western Greece

The Associated Press

ATHENS — A moderate earthquake, measuring 4.5 on the Richter scale, jolted western Greece early Saturday, but no damage or injuries were reported.

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ECUADOR MAKES FIFTH CALL FOR OIL TENDERS AND FULFILLS ITS HYDROCARBON EXPLORATION AND EXPLOITATION GOALS

Doctor Fernando Santos, Ministro de Energía y Minas

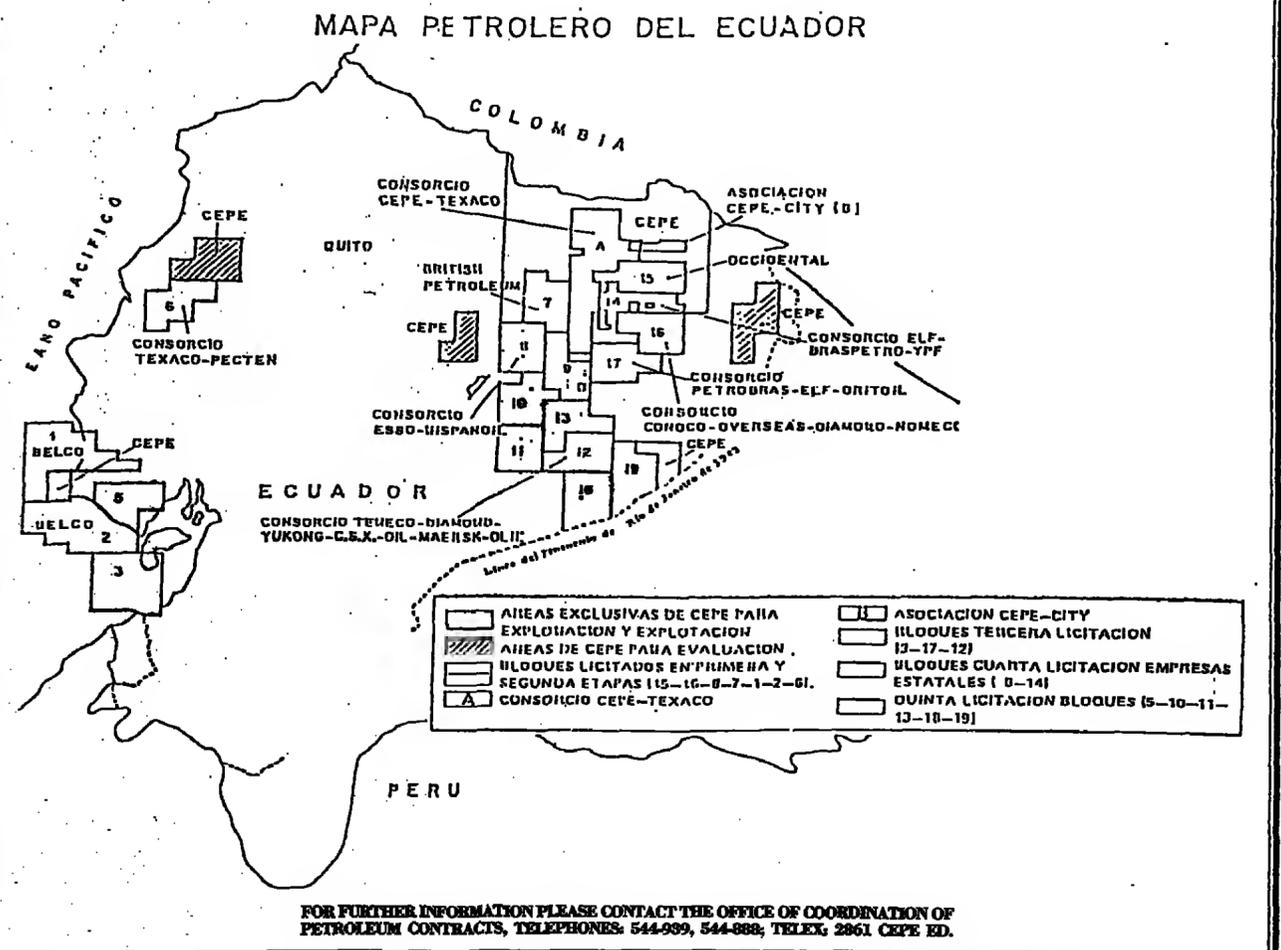
In August 1984, the Government of Ecuador, presided by its Constitutional President, Ing. León Febres-Cordero Roldan, established petroleum policy guidelines with regard to the exploitation and exploration of hydrocarbons. Executed by the Ministry of Energy and Mines, the guidelines set out the following main objectives:

—To explore, through foreign companies, a land area of 4 million hectares, two and one half million of which are located in the Amazon region, and one and a half million On-Shore and Off-Shore, in order that, in the next four years, Ecuador may renew its potential of known reserves by approximately two billion barrels. The minimum amount of investment required amounts to 400 million dollars for 50 exploratory wells and twenty thousand kilometers of seismic lines.

—To develop, through the Petroleum Corporation of the Ecuadorian State (CEPE), exploration activities in an area of one million hectares located in areas close to the transportation infrastructure of the Amazon region, the goal being the discovery of new reservoirs with a capacity to produce at least 500 million barrels.

Since 1984, when this policy was announced, the objectives mentioned have been fulfilled up to 75% after having completed successfully four calls for tenders. Eleven contracts for the lending of services for the exploration and exploitation of hydrocarbons have been signed and the exploration of 3 million hectares by foreign companies and five hundred thousand hectares by CEPE has been carried out.

Investments secured by means of the subscribed contracts amount to 300 million dollars, which shall be used for the perforation of 46 exploratory wells and 16,000 kilometers of seismic lines. British Petroleum, Occidental and Conoco, presently in the phase of perforation, have already discovered fields of crude oil which will be developed in the next few years. CEPE is performing 5 exploratory wells and has built 2,000 kilometers of seismic lines during this year and detected commercial oilfields in northeastern Ecuador.



FOR FURTHER INFORMATION PLEASE CONTACT THE OFFICE OF COORDINATION OF PETROLEUM CONTRACTS, TELEPHONES: 544-999, 544-888; TELEX: 2861 CEPE ED.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277. Prices may vary according to market conditions and other factors.

Dollar Straights

Table of Dollar Straights with columns for Issuer, Con, Mat, Price, and Yield. Includes entries for Australia, Canada, and Scandinavia.

United Kingdom

Table of United Kingdom bonds with columns for Issuer, Con, Mat, Price, and Yield.

United States

Table of United States bonds with columns for Issuer, Con, Mat, Price, and Yield.

Dollar Zero Coupons

Table of Dollar Zero Coupons with columns for Issuer, Con, Mat, Price, and Yield.

DM Straights

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Table of International Bond Prices with columns for Issuer, Con, Mat, Price, and Yield. Includes entries for Finland, Germany, and others.

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Impact of U.S. Trade Blunted by Jitters

LONDON — The U.S. trade deficit in July fell to \$1.1 billion in July from \$1.2 billion in June, but it was not as much as analysts had expected.

Euromarts At a Glance

Table of Euromarts with columns for Issuer, Con, Mat, Price, and Yield.

Yen Straights

Table of Yen Straights with columns for Issuer, Con, Mat, Price, and Yield.

DM Zero Coupons

Table of DM Zero Coupons with columns for Issuer, Con, Mat, Price, and Yield.

ECU Straights

Table of ECU Straights with columns for Issuer, Con, Mat, Price, and Yield.

Treasury Bonds

Table of Treasury Bonds with columns for Issuer, Con, Mat, Price, and Yield.

Wall Street Review

With dealer-scrubbing the market rebound to cover short positions, the Dow Jones Industrial Average finished up 10.5 points on Thursday.

NYSE Most Actives

Table of NYSE Most Actives with columns for Vol, High, Low, Last, and Change.

AMEX Most Actives

Table of AMEX Most Actives with columns for Vol, High, Low, Last, and Change.

NYSE Diaries

Table of NYSE Diaries with columns for Vol, High, Low, Last, and Change.

AMEX Sales

Table of AMEX Sales with columns for Vol, High, Low, Last, and Change.

Currency

Table of Currency with columns for Currency, Bid, Ask, and Spread.

WestLB Fixed Income and Equities Trading - for dealing prices call:

WestLB International S.A., 32-34, boulevard Grande-Duchesse Charlotte Luxembourg, Telephone (352) 44741-43, Telex 1878

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INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric: International Positions.

Table of International Positions with columns for Title, Salary, and Employer.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neully Cedex, France.

See EUROBOON

MONDAY, SEPTEMBER 14, 1987

Page 7

EUROBONDS

Impact of U.S. Trade Gap Blunted by Jittery Dealers

LONDON — The U.S. trade deficit rose to \$16.47 billion in July from \$15.71 billion in June. It is a simple enough statement, but it was one the Eurobond market had been anxiously awaiting the whole week. In fact, bond traders are not especially concerned about the actual size of the deficit. What does worry them is its effect on the U.S. dollar.

One dealer at a U.S. securities house in London illustrated this point Friday. "I'm a trader, not an economist," he said. "An American buying a Toyota doesn't really worry me, but the dollar falling 1.5 pfennigs does. It hits my book" of bond holdings.

The dollar has been falling against most major currencies for over a year now as the U.S. trade deficit has widened. Until recently foreign holders of dollar Eurobonds were protected somewhat from the effects of a weaker dollar by the fact that interest rates were also falling. But the end of that trend was abruptly signaled on Sept. 4 when the Federal Reserve raised the U.S. discount rate to 6 percent from 5.5 percent.

The market had been expecting a trade deficit of around \$15.5 billion. Anything less and the dollar probably would have risen. So when news of the largest-than-expected deficit flashed across their computer screens, the natural reaction of traders was to sell, and they did — heavily.

Within minutes the dollar had fallen by more than 1.5 pfennigs against the Deutsche mark and also by 2 yen. The U.S. Treasury's key 30-year bond fell a full percentage point. Longer-dated fixed-rate dollar Eurobonds fell by a similar amount. It looked like the traders, in judging the figure, had gotten it right.

But then something curious happened. The dollar started rising from its lows. Within three hours the U.S. long bond was trading at levels above Thursday's close and eventually finished the U.S. session about a half-point higher than this previous finish.

Why did this happen? On the surface, nothing had changed. The deficit was still the same and already economists were saying that the dollar was in for a further rough ride.

THE ANSWER as far as Eurobonds were concerned was that trading fundamentals took over. Dealers in Europe are generally reluctant to go home for the weekend with too many short positions on their books. It can prove very expensive if any news breaks that sends bond prices higher. So the traders started to buy bonds to cover those positions. The same thing happened to the dollar in the currency markets.

One dealer at a U.S. securities house said he had established a large short position in a particular bond issue immediately after the figures. "It cost me money to get it back," he confessed ruefully. "The trouble is when you're short and the market starts to rise, prices move up in 1/4- or 1/2-point bounds."

With dealers describing the market as oversold, other traders rushed to cover short positions. The gains became self-feeding and the market eventually finished with some issues showing half-point increases from Thursday's levels, although prices generally were as much as 1 point down from the previous week.

In the longer term, though, one day's trading means nothing. Many dealers and analysts feel that further interest-rate rises will be needed in order to protect the dollar. For example, on Thursday, Albert Wejnliwiler, First Boston Corp.'s managing director, said that he expects the Federal Reserve to raise the discount rate to 7 percent by the end of the year.

Some optimists cite February's Louvre accord on currency stabilization as a factor that will support the dollar. Recently central banks — notably West Germany's Bundesbank and the Bank of Japan — have indeed been buying dollars heavily.

But as one doubtful trader put it, "The central banks are going to get fed up buying dollars that no one wants. Something's got to give." By Friday evening dealers were already speculating that the dollar could soon decline another 1/2 percent.

No new dollar straightens were launched last week. But this does not mean that borrowers are not waiting on the sidelines. Indeed, this week should see the launch of a \$1 billion offering for Italy. Although Credit Suisse First Boston Ltd. will not comment formally on whether it has received the mandate to arrange the deal, market sources say that the firm approached potential co-lead managers on Wednesday.

The sources say that these banks were approached to underwrite a hefty \$100 million each. They noted that these firms were unwilling to commit themselves to such an extent ahead of the U.S. trade figure.

But this week is a different matter and the sources say the bond could emerge as early as Monday. Price talk has centered on a three-year deal with a yield spread of 55 to 60 basis points, or

Currency Rates

Table with columns for Currency, Bid, Ask, and other financial data. Includes sub-sections for Cross Rates and Other Dollar Values.

Forward Rates table with columns for Currency, Bid, Ask, and other financial data.

Source: Interbank Bank (Frankfurt); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); Citicorp (New York); Dai-ichi Kangyo Bank (Tokyo); Other data from Reuters and AP.

Last Week's Markets

Table showing market performance for various indices and currencies, including DJIA, FTSE 100, and others.

Spending Fuels Economic Boom in Portugal

But Inflation Fears Grow, Too

By Paul Delaney New York Times Service LISBON — When the parking lot of Continental, a sprawling supermarket complex with 53 checkout counters, is filled, shoppers leave their cars along the shoulders of a nearby expressway and risk crossing four lanes of traffic to reach the bargains in Lisbon's first American-style shopping mall.

Maybe not everyone walks back to a car on the expressway hauling a sofa, as one man was seen doing, but shoppers file out of the one-story structure loaded down with consumer goods.

Margareta Alves, a music teacher, and her companion, Francisco Teixeira Mota, an attorney, acknowledged that they have been spending money like crazy the past two years, buying a compact disk player, furniture, a car, a clothes dryer, artwork and a vacation home.

Then there is Antonio Pedro Vasconcelos, a movie director, and his wife, Teresa Schmidt. Their recent purchases have included a car, washing machine and dryer, stereo, television and compact disk player.

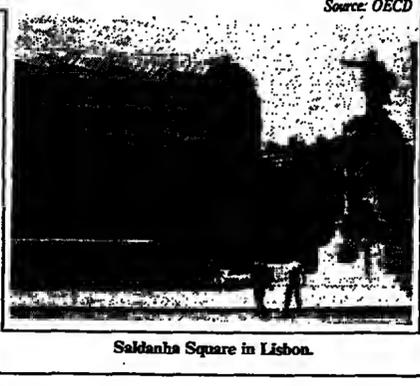
They, like many of the 10 million citizens of Portugal, are on a binge that is helping to fuel an economic boom in a country

Table titled 'Demand, output and prices' showing percentage changes from 1984 to 1988 for various economic indicators like Private consumption, Government consumption, etc.

that has long been the weakest in Europe.

The Bank of Portugal, the central bank, reported that investment has grown 14 percent so far this year, 5 percentage points more than originally forecast; car sales have increased by 31 percent and commercial vehicle sales by 71 percent; the stock market is buoyant; the inflation rate is down to 9 percent, from 28 percent in 1983 and 20 percent in 1985; wages, adjusted for inflation, have increased by 3.5 percent, and foreign investment was up \$120 million in the first five months of this year.

There have also been increases in industrial development, up 8.5 percent; private consumption, up



Saldanha Square in Lisbon.

Hungary's Economic Reform Plan Likely to Stir Debate

BUDAPEST — Hungary's new prime minister, Karoly Grosz, was watched anxiously by both East and West on Wednesday when he presented his new economic program and other tough measures to tackle an array of economic problems.

The package includes plans to introduce personal income tax and the East bloc's first value-added tax from January. It will be debated in what promises to be the liveliest session of the National Assembly for 30 years.

Western bankers are watching closely because of a worrying rise in Hungarian debt, which Mr. Grosz's "consolidation program" for 1988 to 1990 aims to cap. Communist leaders, especially in the Soviet Union, are interested because Hungary has been a trailblazer in the economic changes many of them are now making.

"The session is crucial in that it will show how far Hungary is prepared to go to solve its problems," a Western diplomat said.

Diplomats say Soviet and Chinese reformers are eager to see that Hungary does not, as so pit it, "fall on its butt," because that

could give ammunition to conservative opponents of change in their countries.

Net foreign debt has surged to more than \$10 billion from just over \$5 billion at the beginning of 1986, and is now higher per capita than that of Poland.

Its problems also include a huge budget deficit and sluggish hard currency trade, and Mr. Grosz concedes that the remedies will mean that living standards slip.

But since his appointment in June, Mr. Grosz has stressed his total commitment to reform. "We shall not change the goals under any circumstance," he was quoted as saying in a recent interview.

Laszlo Antal, a finance ministry economist, said: "If the Western governments supporting us see that the reforms are made and are getting faster and stronger, then I am sure that they will have patience." Mr. Antal said the new program would emphasize strict monetary regulation and focus on a budget deficit which tripled to 47 billion forints (about \$1 billion) last year. The trade deficit with the West was \$540 million in 1986.

The National Assembly was a rubber stamp for nearly 30 years until 1985, when multi-candidate elections were introduced. Few diplomats believe the legislature could reject Mr. Grosz's program outright, but deputies have already forced major amendments during committee debates.

Holmes à Court's Stake In Standard Faces Limit

By Warren Getler International Herald Tribune

LONDON — The Bank of England has asked Robert Holmes à Court, the Australian financier, to limit his holdings in Standard Chartered PLC, Britain's fifth largest bank, until the central bank has completed an inquiry involving Standard, a Bank of England spokesman said Sunday.

Mr. Holmes à Court currently holds a 14.94 percent stake in Standard and was recently appointed its deputy group chairman.

In response to a query, the Bank of England spokesman said the financier had indicated that he wants to raise his stake above 15 percent, which the central bank considers a "controlling interest."

At Standard's request, the central bank is conducting an investigation of Standard's tactics in thwarting a hostile bid from Lloyds Bank PLC last year. The Bank is exploring press allegations that Standard improperly lent money to some investors who bought stakes in Standard during Lloyds' bid.

Mr. Holmes à Court, whose initial 4.7 percent shareholding

helped Standard defeat the Lloyds bid, was unavailable for comment, although he is understood to have accepted the central bank's request.

The central bank, which has indicated that it hopes to complete its inquiry by January, has no specific authority to prevent the Australian financier from raising his stake.

The Bank will obtain such power on Oct. 1 when a new banking law allows it to force any shareholder deemed not "fit and proper" to reduce his stake below 15 percent.

Mr. Holmes à Court's motivations for increasing his stake are not clear, a senior official at Standard said Sunday, noting the holding was not considered hostile.

Separately, Michael D. McWilliam, the bank group's managing director, said on Sunday that although the bank was weighing the sale of its California-based subsidiary, Union Bancorp Group, no talks have taken place.

Union said on Friday that it is a potential acquisition target, and U.S. analysts said Wells Fargo & Co. and Dai-ichi Kangyo Bank Ltd. appear to be interested buyers. Analysts put the price tag at \$1 billion to \$1.5 billion.

FT Group Is Dismissing 2 For Abusing Data in Trades

Insider trading is a criminal offense in Britain, but the stock exchange has no power to bring criminal charges, which is the job of the director of public prosecutions.

FT sources said they were not certain whether this case could be described as insider dealing under the law.

The affair was disclosed in the Sunday Times and the Observer. The FT was to print a report of the event in its Monday issue.

Geoffrey D. Owen, editor of the Financial Times, said the FT did not break the story because it was considered "an internal affair."

LONDON — Two junior employees of the Financial Times group are under stock exchange investigation for having traded in shares on the basis of privileged information and are to be dismissed, officials of the news group said on Sunday.

The employees, male clerks, worked for Finstat, the FT group's electronic share-price information guide, which is not directly linked to the Financial Times newspaper.

The amount of money involved in the trades is said to be nominal.

The two admitted having used information from advance copies of an FT publication, Investors Chronicle, to trade in shares before the weekly magazine was distributed to the public, FT sources said.

The Financial Times group bans employees from trading on information they obtain as journalists.

FT executives said they contacted the insider-trading investigators' team at the stock exchange several weeks ago, alerting officials to what they saw as suspicious share-price movements possibly related to material that was to appear in Investors Chronicle.

IMF Forecasts 2.6% Growth in Industrial World

WASHINGTON — The International Monetary Fund forecasts a tepid economic growth rate of 2.6 percent in the industrial world next year, slightly higher than the 2.4 percent expected for 1987, monetary sources said Sunday.

The forecast is contained in the IMF's World Economic Outlook, to be published later this month.

It implies that leading industrial nations should implement current policies faster to reduce massive trade imbalances between the United States and West Germany and Japan, the sources said.

One U.S. official suggested that progress in closing the gap between the huge U.S. trade deficit and the surpluses of Japan and West Germany may be too slow for the financial markets, where the dollar is already under renewed pressure.

The three nations agreed at a series of meetings this year that Bonn and Tokyo should boost their economic growth, expanding domestic demand in order to curb exports and bolster imports.

Washington, on the other hand, undertook to reduce its huge budget deficit, estimated at about \$157 billion this year, which economists

say is a major underlying cause of the trade deficit.

U.S. figures indicate that adjustment in U.S. trade is not yet happening. On Friday, the Commerce Department reported that the U.S. merchandise trade deficit widened to a record \$16.47 billion in July.

Congress is expected to pass a protectionist trade bill this month, putting pressure on the administration to demand greater stimulus from its key economic allies.

The IMF predicts that the United States' growth rate will be 3.1 percent in 1988, up from 2.4 percent this year.

West Germany's growth rate is put at a paltry 1.5 percent this year, improving to 2.3 percent in 1988. Japan's growth rate, meanwhile, is forecast at a robust 3.4 percent in 1988, up from 3.2 percent this year.

The IMF forecasts form the backdrop for meetings in Washington of the world's finance ministers and central bankers, due to begin in about two weeks.

The sources said that the IMF predicts that growth in the British economy will decline to a 2.2 percent pace from 3.3 percent in 1987.

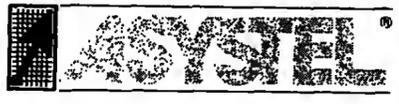
Saudis Refuse Oil 'Swing' Role

New York Times Service VIENNA — Saudi Arabia's oil minister, Hisham Nazer, has said his country will not act as "swing producer," reducing its output to help bring OPEC's overproduction into balance.

Mr. Nazer's remarks Friday underlined what analysts see as a growing rift between Saudi Arabia and Iran, whose year-old alliance helped push up prices by putting pressure on the Organization of Petroleum Exporting Countries to adhere to its quotas.

On Thursday, Iran's deputy oil minister, Hosein Kasebi, said Saudi Arabia, OPEC's largest producer, should firm sagging prices by cutting its output and getting Kuwait and Iraq to trim theirs.

All these Shares having been sold, this announcement appears as a matter of record only.



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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Sept. 11

Table with columns: Symbol, Price, Change, Volume. Lists various OTC securities and their market activity.

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Advertisement for Chase Corporation Finance New Zealand N.V. featuring a logo and text: 'U.S. \$75,000,000', '5 1/4% Guaranteed Subordinated Convertible Bonds Due 1997', and a list of financial institutions.

Table with columns: Symbol, Price, Change, Volume. Lists various OTC securities and their market activity.

Table with columns: Symbol, Price, Change, Volume. Lists various OTC securities and their market activity.

Advertisement for 'Stamps Australia' featuring a kangaroo stamp and text: 'Australia's 1913 Kangaroo stamp', 'By Alice Oshins', and 'If you put away stamps during your holiday...'.

Large vertical advertisement on the right side of the page with the word 'PEL' at the top and 'Monthly Report for the' below it.

FOCUS Interest Rates More Gloom

Column of text discussing interest rates, market conditions, and economic forecasts. Includes sub-headers like 'OLD habits die hard' and 'The Fed's motive for the increase has been called into question'.

(Continued on Page 14)

PERSONAL INVESTING

FOCUS

Interest Rates: More Gloom

OLD habits die hard. This became painfully obvious over the summer as central banks around the world adopted less accommodative monetary policies at the first whiff of inflationary pressure. In Japan, there was talk of curbing the government's spending plans. In West Germany, the Bundesbank nudged up short-term interest rates. And in what seemed a fitting farewell to summer, the Federal Reserve raised the discount rate by a half-point.

"There's a feeling among central bankers that they may have been too accommodating," says Stephen Lewis, economist at Phillips & Drew in London. "They feel they may have underestimated the threat of inflation."

To be sure, there were compelling reasons to do something. The new-found confidence in the dollar at the start of the summer, combined with a resurgence in oil prices, caught many governments by surprise. This was especially true in Japan, where prices rose at an alarming rate. "Suddenly, these countries believed they were faced with the prospect that their own currencies were going to weaken," says Robert Brusca, chief economist with Nikko Securities International in New York.

These policy shifts have already taken their toll. The Salomon Brothers' World Government Bond Index, which tracks the nine biggest fixed-income markets, registered a meager total return of 1.51 percent in dollar terms last month. This was better than July's performance, when the index showed a negative return of 2 percent, but the results hardly cheered investors, who had grown accustomed to double-digit returns last year.

The U.S. Treasury market was among the worst performers in August, with a negative return of 0.44 percent. Japanese government bonds ranked first, with a 5.29 percent return. But in yen terms, the performance was flat.

Whether the central banks overreacted continues to be debated among economists. Most believe that inflation is growing, but a number of economists say the pre-emptive policies were too severe.

EVEN the Fed's motive for the discount rate increase has been called into question. "I think it had more to do with stabilizing the dollar," argues Deborah Foye Kuenster, an international investment strategist with Merrill Lynch. "The U.S. inflation news is actually looking a lot better now than it did in the spring."

Undoubtedly, some of these policies will be reversed as inflationary fears subside. Mr. Brusca describes the attitude of central banks nowadays as one of "stop-go" when it comes to their economies. Indeed, some investors anticipate a resurgence in the yen bond market when it becomes clear that Japan's inflation rate will average less than 1 percent this year.

But the policy shifts have left a legacy of doubt in investors' minds. "At this point, you can say bond markets have entered a cyclical bear market," says Ms. Kuenster. And when it comes to stocks, investors will have to look at narrower trends like company earnings. Falling interest rates, as far as she is concerned, are a thing of the past.

John Meehan



Profiting From Publishers

Estimates of per share earnings increases for Europe's top publishers in 1987

Mondadori Italy	37%
Elsevier The Netherlands	28%
Hachette France	20%
VNU The Netherlands	9%
Axel Springer West Germany	7%

Europe's Publishers Are on the Prowl

By Jacques Neher

Investors are betting on new alliances.

IT has been anything but a peaceful summer for European publishers. In the Netherlands, Wolters Kluwer merged with Elsevier. French publisher Hachette was rumored to be on the acquisition trail after losing its bid for France's biggest television network. And in Italy, a family feud over control of the country's top publisher, Arnoldo Mondadori Editore SpA, dragged on.

Such maneuverings provided some spark to the otherwise lazy mood that descends on the continent's business every summer. Publishing is an industry where it is not unusual for powerful and power-seeking personalities to dominate headlines.

Yet, a number of analysts say the corporate dramas that have been unfolding are symptomatic of major changes in the publishing industry that normally excite investors.

Some analysts, like Tony Thomson of American Express Asset Management in London, caution that the sector may be "overheated." But others say Europe's publishing stocks still have much going for them.

"I've been bullish on this sector for five years, and I continue to be," says

Derek Terrington, publishing analyst with London stockbroker Phillips & Drew.

Investors first began paying attention to publishing stocks a couple of years ago. "It's a fashion that spread from the United States a few years back, when suddenly the information sector was considered the thing to be in," says Denis Christie of James Capel & Co. in London.

But they have become even more popular recently because of growing opportunities for publishers to expand their business horizons. In France, for example, the denationalization of TFI which ended up in a bidding contest between Hachette and Bouygues, the giant construction concern, demonstrated the desire of publishers to diversify into other sectors of the media.

Moreover, the industry's trend toward consolidation will continue, analysts contend, as the sector becomes more global in nature.

So far, the Amsterdam stock market has witnessed the most bitter takeover

contest. But analysts do not believe the story has ended with the newly merged Wolters Kluwer. Mr. Christie believes Elsevier "will probably try to get hold of" Wolters Kluwer when its price comes down.

In the meantime, British publisher Robert Maxwell, who was rebuffed in his attempt to take over Harcourt, Brace Jovanovich in the United States, has been talking with the Elsevier chairman, Pierre Vincken.

Elsevier may be willing to sacrifice a bit of its independence to pursue its ambitions, analysts say. "Elsevier wants to be one of the major publishing groups in the world within the next 10 years," says Mr. Christie of James Capel. "Its management just might perceive Maxwell as the ship to tie itself to in order to achieve that."

Dutch observers say such a merger could create synergies in the scientific publishing activities of both compa-

nies while giving Mr. Maxwell a firmer foothold in the U.S. market.

But analysts warn that if Mr. Maxwell tries to use a merger to launch a Sunday newspaper in the Netherlands, as it has been reported, he is headed for failure.

"The Dutch people aren't waiting for a Sunday paper," says Fritz Moolhuizen, an analyst with Algemeen Bank Nederland. "Holland is a traditional country and I can't imagine it will work."

VNU, a consumer magazine publisher, could also find itself the object of another's desire. "It's fairly cheap and it will benefit from the continuation of consumer spending growth in Holland," Mr. Christie says. Moreover, he describes its magazines as "cash cows."

Takeover talk is also rife on the Paris Bourse. Jérôme Labin, an analyst with

Continued on page 10

Getting In On Private Placements

By Cynthia Catterson

INVESTORS who bought shares in the software company Aldus Corp. when it went public last June have little to complain about. The stock was originally offered at \$20 a share on the over-the-counter market and before long was trading above \$30.

Still, the 50 percent price gain pales in comparison to the returns earned by a handful of investors who bought shares in the company before the offering.

Three years ago, this select group responded to an offering made by invitation only, a so-called private placement that allowed the company president, Paul Brainerd, to raise capital for his infant firm without going public. Those lucky enough to be included purchased their stock at a mere 19 cents a share.

For small companies with little or no operating history, private placements are often the only way they can raise capital because the registration and underwriting costs are prohibitively high. In addition, some small firms prefer to keep the number of shares in the hands of few, so they can maintain control over the direction of the company and perhaps make a big offering a few years down the road.

"If you go public right out of the block, you give up half the company," explains Richard Fisher, who raised \$100,000 through a private placement last year for his company, Quadra Corp., which makes composite material used in the aerospace industry.

And for investors, the allure is obvious. "With private placements, the investor is invariably buying at wholesale prices rather than retail," says Rob Lawrence, vice president in charge of private placements at Citibank, "so there is an opportunity for superior appreciation."

To be sure, the vast majority of private placements involve institutional investors. Big companies typically issue private placements in the form of debt to diversify sources of funding or to keep a recapitalization confidential.

Yet, private placements are available to individuals, requiring a minimum investment of between \$5,000 and \$500,000. And some experts believe the number of such offerings will increase if the Securities and Exchange Commission goes ahead with a proposal to ease restrictions on private offerings to individuals.

Private placements can come in many forms, though limited partnerships are the most common deals available to individuals. Such an arrangement allows investors to pool their resources to meet the steep capital requirements.

Up until last year, most partnership offerings were struc-

Continued on page 11

COLLECTING

Stamps Are on the Rebound

By Alice Osbins

New York

If you put away your stamps during years of declining prices, now is the time to take a renewed look at your collection. The king of hobbies has come back full swing and is making up for lost time. All signs show that the market is up and heading further in that direction.

Stephen Braham, managing director of Stephen Walter, a London auction house, says prices in certain issues are already back to 1979 levels and higher.

"Prices have increased an average of 15 percent this year and many rare stamps are selling way above that," says Walter J. Madec, vice president of Robert A. Siegel Auction Galleries in New York. At the same time, Danny Juri, who runs an auction house in Sydney, Australia, sees nothing but "sustained improvement" ahead.

Stamps that were bringing in a fraction of their published catalogue prices last year are now fetching multiples of that value. For instance, Mr. Madec explains, the U.S. No. 1 five-cent Benjamin Franklin, which fell below its \$650 catalogue price to \$400 a year ago, now sells for as much as \$800.

At a March 1987 auction at Christie's in New York, a 1861 stamp from the Cape of Good Hope that was estimated at \$6,000 fetched \$20,900. And at another recent Christie's auction, a Mexican 20-cent Amelia Earhart commemorative sold at \$11,000; its estimated value was \$8,000.

The turnaround came none too soon. Stamp prices soared to record highs in 1980 as investors sought tangible assets in the face of rising inflation. But when financial markets began to show new vigor as inflation ebbed, investors abandoned the stamp market.

"In 1980, we ended the year with sales of \$18 million and in 1982 we finished with \$10.5 million with no decrease in volume," Mr. Madec explains.

Frightened concern about inflation and a widespread desire among investors to diversify their portfolios now that the rally in financial markets has entered its sixth year are credited for the improvement in the stamp market.

"When a country's economy signals inflation, people tend to go to tangible items such as stamps," notes John Dunn, educational director at the Philatelic Foundation in New York



The biggest stamp markets can be found in Japan, Britain, the United States, West Germany and the Netherlands. These countries have the biggest population of collectors who lead support to the marketplace. But more recently, collectors in the Arab states and in Australia have also become forces to be reckoned with.

Mr. Juri believes Australia's Kangaroo series, which ran from 1913 to 1936, is a good example of the type of stamp investors should be studying. He notes that the 1913 £2 black and red kangaroo, which sold for 5,000 Australian dollars a year ago, is now worth twice that amount.

Regardless of their attractiveness and apparent age, not all stamps are considered investment-grade. In general, Mr. Madec says demand is biggest for classic stamps of the world. These are first issues dated before 1900.

Rarity is another important factor, and here is where misprints and other errors can significantly raise the price of a stamp. The first U.S. airmail stamp issued in 1919 with the airplane mistakenly inverted in the center — only 100 were printed — can fetch as much as \$140,000.

Jacques Robineau, an auctioneer in Paris at J. Robineau & Co. in Paris, expects the 1849 one-franc Vermillion to be selling this year for about 10 percent above its 1986 price of 65,000 francs. The stamp, one of the first issues in France, is a product of faulty color mixing. It should have been printed in a darker shade of red. Mr. Robineau estimates no more than 2,000 were printed.

But investors should keep in mind that not all errors are valuable. A 1962 yellow Dag Hammarskjöld "invert," issued by the U.S. government to commemorate the secretary-general of the United Nations, goes for no

more than its face value because the government continued to produce it even after the error was discovered.

Higher denomination stamps appreciate faster than the smaller denominations. The most obvious case is that of the U.S. Graf Zeppelin, airmail stamps issued in the 1930s. The 65-cent stamp, which was intended for postcards, goes for about \$250, according to Elizabeth Pope, stamp expert at Christie's, whereas the \$2.60 version that was used for letters sells for approximately \$1,000.

A stamp's condition also plays a major role in pricing. Tears, creases, missing perforations and poor condition of the gum can detract from resale value. For example, a set of U.S. Columbians, a series issued to commemorate the 1893 World Columbian Exposition, is priced over \$10,000 in very fine. One that is in less perfect condition will fetch \$1,500.

But buyers beware. Before you lay out large sums of money, it is best to have a stamp evaluated by an expert. To an untrained eye, repairs and improvements are difficult if not impossible to detect. The Philatelic Foundation says about 15 percent of the 15,000 stamps it studies each year have been altered in some way to enhance the value.



1933 Falkland Islands centenary issue.

than the genuine stamp. "They were highly skillful and are more representative of a defining art," says Mr. Dunn.

Sperati, an Italian who moved to Paris, was a lithographer in the first half of the 20th century. He claimed his redesigns of ordinary stamps from around the world were not counterfeit but were works of art.

Peter Robertson, curator at the Philatelic Foundation, says Sperati's works were so skillful that many of them have not been identified. Although if they are genuine Sperati, they are worth between \$400 and \$500.

Fournier, on the other hand, counterfeited an issue at the turn of the century using lithography. His work does not sell for as much as that of Sperati. It is also more obvious imitation.

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BOURSES

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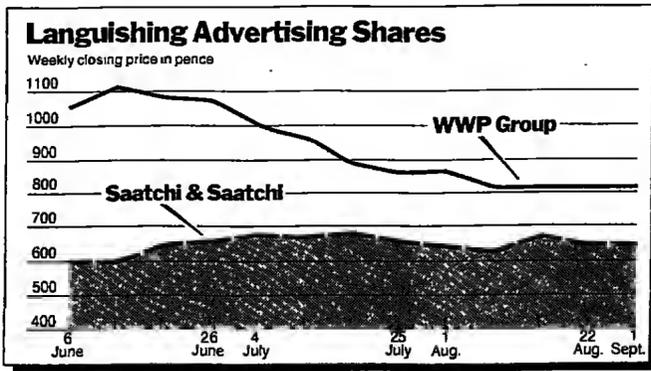
Beyond turmoil of takeovers, trends are positive.

By Marybeth Nibley

IN the advertising world, 1987 seems destined to go down as the year of the British U.K. heavyweights like Saatchi & Saatchi, WPP Group and WCRS Group...

Indeed, some executives and major clients defected from the acquired firms, which unsettled investors in Saatchi and WPP. And an ill-received rights issue last month by WPP further weighed down the sector.

At home, the generally optimistic mood of U.K. businessmen and consumers is driving demand for advertising services, reports Britain's Advertising Association...



agencies and specialty firms. Some of these services are growing much more quickly than traditional advertising, reports Mark Sheppard, an analyst at Phillips & Drew in London.

Mr. Millar aims to expand consulting revenue to about 50 percent of Saatchi's total revenue from the current 15 percent share. Two small, fast-growing firms, Cleveland Consulting and Litigation Sciences Inc., were purchased earlier this year...

Upheavals in European Publishing

Continued from page 9 Paris stockbroker Jean-Pierre Pinaton, notes that Hachette, which lost out in a bid for TFI earlier this year, still has 3 billion francs available for acquisition or startups.

will rise to 145 francs in 1987, from 121 francs in 1986. In Italy, meanwhile, investors continue to track the family dispute that flared last spring following the death of Mondadori's chairman, Mario Formenton.

agement is free to care about the business," he says. Kenneth Cox of Murray Johnstone, a fund manager in Glasgow, is very keen on Mondadori's future.

Advertisement for First Austrian Bank, featuring the logo and text: 'FIRST AUSTRIAN BANK founded 1819 Die Erste österreichische Spar-Casse - Bank. Enjoy Banking Secrecy second to none at Austria's oldest Banking Institution.'

Elsewhere, the buildup to the U.S. presidential election and the Olympics in 1988 should boost ad spending in the United States and other major markets. Another factor will be a wave of product introductions, says Greg Ostroff, an analyst at Goldman Sachs in New York.

Advertisement for MONEY 87 INTERNATIONAL INVESTMENT EXHIBITION, October 21-24 1987, Hong Kong Exhibition Centre. Includes text: 'Come to the exhibition - meet the experts attend the seminars learn about the widest range of investment opportunities. All under one roof at Asia's premier money show.'

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Advertisement for W. Germa, 'Lure of Private Equity', 'A chance to invest at wholesale prices'. Includes text: 'Management puts strong emphasis on the appearance of its stores, say it, a strategy translating into hefty margins. Hessel sticks to its concept very much, says Joseph Roosen, an analyst with James Capel & Co. "It's a superior stock people can hold for the long term."

BOUSES

W Germany's High-Flying Retail Stocks

By Gail Schares

CONSUMERS in West Germany are on a buying binge, a trend that has sharply higher prices for retail consumer goods shares. Though some issues are already overpriced, selected shares will likely outperform the market in the next six to 12 months, analysts say.

"The retail stocks are very expensive, but this is the only area where earnings are still rising," says Jens Ehrhardt, publisher of Munich-based market newsletter Finanzwoche (Finanz Week).

The prospect of wage increases and a 14.5 billion Deutsche mark (DM) tax cut next year is behind the consumer spree, says Stephan Ober, a fund manager at Baring Fund Managers - London. "The consumer and retail sector has the sound fundamentals" in the market, he says.

Private consumption soared 2.3 percent in the second quarter, placing exports as the economy's driving force, according to government figures. Consumer spending in 1987 is expected to rise by a comfortable 3.5 percent. Forecasters say the spending should continue into 1988, when tax cuts take effect.

The weak dollar, which has battered West German industrial exporters, is another argument in favor of these domestically oriented shares. "Retail is the only sector in the German market which is almost totally sheltered from exchange rate fluctuations," notes Andrew Thomson, analyst with Kleinwort Greaveson in London.

A beneficiary of such thinking has Hessel Holdings, whose share has risen from 520 DM in June to nearly 700 DM lately. Starting with a group of small confectionery shops in 1968, Hessel now operates 16 chains with 825 retail outlets. The outlets include a perfumery, discount drugstore, book and magazine shops, sports stores and jewelry stores.

Management puts strong emphasis on location, service and the appearance of its stores, says followers of the company, a strategy translating into hefty, durable profit margins. Hessel "sticks to its concept very successfully," says Joseph Rooney, an analyst with James Capel & Co. in London. "It's a superior stock people can put away for any length of time."

Hessel's lofty share price prompts even some admirers to advise waiting for a correction before buying. But other observers say the stock is still attractive, given the momentum of consumer spending and the company's expansion plans. The Hagen-based company has announced plans for further acquisitions in West Germany and expansion into France and Italy.

Analysts expect a steady 12 to 15 percent improvement in Hessel's earnings in 1987 and in 1988. The company has



Shoppers outside Korstadt in Munich.

said it is likely to raise its dividend again in 1987, following a boost to 9 DM a share in 1986.

Another beneficiary of the consumer boom is Hugo Boss, a menswear manufacturer that is booming back from the announcement earlier this year of lower-than-expected 1986 earnings. Some followers of the company have concluded that last year's earnings were somewhat understated because Boss took advantage of new accounting rules. Under European Commission regulations that took effect last year, Boss was able to tack away hidden reserves through changes in the method of valuing its inventory.

Boss's top management has said repeatedly since news of the disappointing results that earnings strength has not diminished. "We fully used the opportunities presented to us by the new accounting methods," says Konrad Jnd, managing director. "We were one of the first companies to

use the new method, and the market reacted a little nervously."

Boss's sales jumped 39.6 percent in 1986 to 430 million DM, while earnings per share rose only 12 percent. But one West German bank analyst ventured that a look at unadjusted, internal figures would show that profits are still growing faster than sales.

Other analysts are circumspect. "I'm not so sure it's a long-term growth issue," says Mr. Ehrhardt. "Its success depends on how well they anticipate fashion trends."

Boss is not without its problems. Several years of rapid growth brought the company to the point of saturation in the West German market, threatening its exclusive name. In June, it announced plans to cut 60 retail outlets, about 8 percent of its distribution network in West Germany.

The challenge for Boss now is penetrating foreign markets to maintain growth. Although the company is moving aggressively into other European countries, the United States and Canada, analysts said the transition to an international fashion house will be no easy task.

Even Mr. Jnd cautions that the company's growth is unlikely to continue at over 30 percent a year. "Once you're over 500 million DM in sales, 30 percent growth is too fast for the organization to handle carefully," he said. "We would be happy to see growth slow a little."

From a low of 1,610 DM earlier this year, Boss's stock has bounced back to about 2,100 DM, but the price-earnings ratio of 22 is still lower than the average multiple of 25 to 30 for the retail sector. The stock is thinly traded and somewhat volatile.

"Fundamentally, Boss's stock is in order. It's a good buy between 1,900 DM and 2,000 DM per share," says Walter Heinsmann, an analyst with Bankhaus Merck Finck & Co. West Germany's big department stores, Kaufhof and Karstadt, get mixed reviews. Both are benefiting from a decade of restructuring and diversification after losing ground to discount houses and specialty chains during the 1970s. Their turnaround potential combined with the boom in consumer spending bodes well, but their stock prices are already up sharply.

"The biggest expectations for these stocks have already been fulfilled," says Iris Ullmann, an analyst with Oppenheim Finance in Cologne. The shares trade at about 30 times earnings.

Some analysts, though, note that Kaufhof and Karstadt have hidden value in their real estate holdings. Kaufhof owns about 90 percent of its buildings, most of which are located in prime downtown properties, while Kaufhof owns about 63 percent.

A fast-growing alternative to the department stores is discounter AVA. Its stores sell building, hobby and garden supplies, and shoes, electronic goods and health care products. It also operates supermarkets.

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Publishing

AGREEMENT is fast to reach about the recent Kenneth Co. of Munich, Germany, has been in Glasgow, Scotland, for a number of years. The company is a private company and was founded in 1987. It is a joint venture between two companies, one of which is a public company.

IN West Germany, the value of the German mark has risen to a level that is not only a reflection of the country's economic strength but also a reflection of the country's political stability. The value of the mark has risen to a level that is not only a reflection of the country's economic strength but also a reflection of the country's political stability.

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Lure of Private Placements

A chance to invest at wholesale prices.

Continued from page 9. tured to take advantage of the write-off, like those associated with real estate investments. But the 1986 tax reform changed that. "Private offerings must now be economically viable rather than tax driven," says Gerry Runayne, vice president and senior banker at Morgan Guaranty Trust Co.'s private banking division. "Now the organizations' putting these deals together have to be more innovative and aim toward real return."

The emphasis on income has also meant that more offerings are finding their way abroad, with foreign banks and money managers steering deals to selected clients. A good example of the new trend was a partnership put together last year by E.F. Hutton to buy 10 hotels from the Ramada Inn franchise. Hutton borrowed \$54 million and raised \$37 million in capital from investors who each put up about \$60,000 per unit, according to Tim Clarke, an associate in the firm's direct-investments division.

The private partnership, he says, provides enough capital to cover the interest expenses for the loan and generates income for investors. Investors have already received a quarterly distribution of \$1,500 since the deal closed in March, he says, which would be equal to a 10 percent return for the year.

In addition, he says, depreciation allowances for the properties lowers the taxes investors must pay on the partnership income. Mr. Clarke says the partnership will attempt to become public in about four years, at which time, investors should be able to sell their shares without liquidating the entire partnership. Another example are so-called marketing partnerships like one organized by Daleco Research & Technology, a venture capital firm. Daleco has raised more than \$2 million in private marketing partnership to help a small drug

firm, Zila Pharmaceuticals, market its new product, Zilactin.

The partnership, which was sold in minimum \$15,000 units, is structured to share in 10 percent of the company's gross earnings.

Michael Dale, executive vice president of Daleco, says the two-year-old partnership so far has had three cash distributions, equivalent to a 10 percent return. He estimates the average return will show that triple as the product, a treatment for cancer sores, further penetrates the market place.

Meanwhile, Morgan Bank, which began showing selected placements to its private clients last year, is putting together a private partnership to help a motion picture company finance the distribution and advertising of three completed films. Morgan declines to reveal the name of the film company because the offering is still open to investors.

Investors, who are required to put up a minimum of \$250,000, will share in the ticket receipts within the first two months of the film's first distribution. The first film is scheduled to premiere in November. Private placements can be arranged by anyone — lawyers, investment advisers, private banks and large retail brokerage firms. But because of their very private nature, many investors may never hear of one.

Advertising or solicitation during an offer can cost the deal its private-exemption status. Therefore, investors interested in private placements must make themselves known to the bankers, brokers or entrepreneurs who are likely to be aware of private offerings. Still, not everyone qualifies. Under Regulation D of the Securities and Exchange Commission, private placements can be offered to an unlimited number of "accredited" investors — those who have a net worth of \$1 million or annual income of \$200,000. These individuals, it is assumed, are sophisticated investors who are capable of evaluating the viability and risk of a private issue or can hire someone who is knowledgeable enough to weigh the proposal.

No more than 35 unaccredited

investors can invest in a private placement, and some states have restrictions on the suitability of these investors. In North Carolina, for example, unaccredited investors must have a net worth of \$200,000, exclusive of cars, home and home furnishings, or a net worth of \$60,000 with an annual salary of \$60,000.

The SEC is considering widening the qualifications. One proposal under study would allow more credit unions and savings and loans associations to invest in private placements. Moreover, a two-income family with combined earnings of more than \$300,000 would qualify as accredited investors. This is the so-called "yuppie" exemption.

The most controversial aspect of the plan is to ease the restrictions on the size of a private offering without requiring sponsors to furnish information about the deal to investors. Currently, sponsors can raise a maximum of \$500,000 without spelling out what they intend to do with the money, or even notifying regulatory authorities. The SEC is expected to announce its decision sometime in late autumn.

INVESTORS are entitled to a written business plan or offering memorandum. This document must disclose "all material information" that would affect the investment decision of a reasonable man," explains Frank Hazen, staff attorney at the securities regulation office in Georgia. But the requirements are decidedly less rigorous than those for a public offering.

The exemption from registration means the issue does not have to go through the review process," says Wayne Howell, Georgia's deputy secretary of state. "If they lie, cheat or steal in the offering, we can still take action against them," he says. A common type of fraud, according to Martin Cordell, securities examiner of the state of Washington, is the so-called pyramid scheme, in which individuals who invest early on in the deal are paid dividends with money raised from subsequent investors. The majority of the funds end up in the sponsor's pocket.

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THE TRADER

Buying High and Selling Low Over-the-Counter

By John C. Boland

An investor who buys an over-the-counter stock, particularly an obscure, thinly traded one, faces longer odds of making a profit than a buyer of stocks listed on an exchange.

The difference comes from the different ways the two markets operate. In OTC trading, unlike that on exchanges, an individual can virtually never buy at the low price of a stock's bid-asked spread, or sell at the higher price.

The price spread can be substantial, and costly. On an exchange, whether one as prominent as that of New York or as small as that of Boston, an individual can become the high bidder or low seller by stepping between the price spread.

If a thinly traded issue is quoted at \$5 to \$5.50, a prospective buyer can bid \$5.125 and become first in line to acquire any stock that might be sold at that price or lower. A seller can offer shares at \$5.375 and stand first in line to

Spreads Sept. 3, 1987

COMPANY	BID	ASKED
MCI	59 1/2	60 1/2
Apple	57 1/2	58 1/2
Ampal-American Israel Corp.	5 1/2	6 1/2
Buckeye	7 1/2	8 1/2
Comeca	7 1/2	8 1/2
For Better Living	10 1/2	11 1/2
Horizon Bancorp	2 1/2	3 1/2
Sage-Allen & Co.	2 1/2	3 1/2

unloaded to anyone willing to buy at that price or higher.

In the over-the-counter market, however, the dealers who make a market in the stock always stand first in line. An individual buyer must pay a dealer's asking price. A seller must settle for a dealer's bid.

This is not necessarily a problem with such actively traded issues as Apple Computer or MCI Communications, where the spread between bid and asked

prices may be as narrow as 25 cents or even 12.5 cents. But in thinner issues, with fewer market makers competing for business, spreads can run 10 percent to 20 percent of the stock price, or more.

For a small investor, taking a fancy to a stock with such a spread can be expensive.

The over-the-counter market is a terrible place for the individual to trade, says Binkley Short, portfolio manager for the Over-the-Counter Securities Fund, of Fort Washington, Pennsylvania. "He's always paying the spread off to a clerk instead of a trader. Those orders just pile up. If the

traders have time, they'll get back to it. If they don't, they won't."

In many instances, he says, "they don't even make the call" to a dealer, offering a lower price on the client's behalf.

The situation is not necessarily better with firms that make markets themselves in many OTC issues. "They will seldom trade it between the bid and asked," this broker says. "That's because the trading desks are operated as profit centers."

OTC spreads appear to be a problem mainly for small investors. Larger players, such as money managers and mutual funds, generally prefer the dealer market, where long-term relationships can be established between institutional investors and market makers.

INDEED, the institutions often employ market makers as agents to acquire stock positions for them, or ask brokers to become market makers to accumulate a stock they like. The arrangement typically nets the dealer 25 cents a share over his cost of acquiring stock.

"One advantage I have is that I have a relationship with these people," says James P. Craig, president of the Janus Venture Fund, in Denver. "I work with them year in and year out. They aren't going to

try to extract me out of me."

But for the all investor, Mr. Craig says, "it may be a different ball game."

The bid-ask spread, he says, "is just a reflection of liquidity in the marketplace. Few market makers are attracted to a stock that trades a couple of hundred shares a day. With wide competition, the handful of dealers quoting such a stock at wide intervals. The spread does anything they want," Mr. Craig says.

And Luke T. Smith, a president with Cardy & Co., a discount broker in Towson, Md., observed: "Really, it's the game. When there aren't market makers, it sometimes seems there is a conspiracy to keep it nice and fat spread."

The National Association of Securities Dealers, which oversees OTC trading, argues that multiple market makers put more clout under a stock's price than a change specialist might provide.

But traders say that over-the-counter dealers are not quite the specialists to support declining stock. Indeed, the dealers lack the specialist's mandate to intervene to stabilize the market. "When a stock gets into trouble, they're gone," a wire house broker says.

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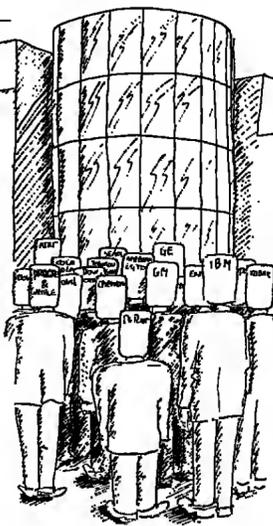
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STRATEGY

Tokyo: Strides by Exporters

JAPAN'S blue chip exporters have generally been snubbed as the yen continued its march upward in the last two years. At the most, investors nibbled at these stocks only when it appeared they had been beaten down to the point of being bargains.

Lately, though, there is talk that some exporters, after incurring earnings setbacks of 30 to 70 percent over the last year or so, may turn in surprisingly strong profits next year. Economists note that the exporters had made big strides in productivity, cost control and relocation of manufacturing plants to other, lower wage Asian nations.

A recent study concluded that the break-even point for Japanese auto companies would be down to 122 yen to the dollar by the end of the year, Merrill Lynch reports.

Few analysts would argue, though, that better profit margins alone ensure a strong showing by the export sector. Other crucial factors are U.S. trade policy and the pace of global economic growth.

Last week's U.S. trade figures represented a test of sentiment for this sector. Because the \$16.5 billion deficit was roughly within expectations, fears that Congress would adopt drastic trade measures against Japan subsided a bit. "I don't see any major shakeup in the U.S. political situation toward Japan," says Jeffrey Burns of Phillips & Drew in New York. "The trade situation is going to remain down on the list of priorities."

Mr. Burns says investors will likely accumulate blue chip stocks, including selected blue chips, on market weakness over the next few months.

Ironically, some big exporters are being touted in Tokyo as beneficiaries of expected improvements in Japanese domestic spending, Mr. Burns says. This view focuses particularly on consumer electronics stocks, such as companies like Matsushita whose dependence on exports has been cut by nearly half.

Another theme is coming weeks, says Mr. Burns, will be companies with ties to NTT, the telecommunications giant whose

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in July.

GAINERS			LOSERS		
Percent Gain	Price August 31		Percent Less	Price August 31	
New York Stock Exchange:					
Compiled by Media General Financial Services, Prices in dollars					
CNW Corp.	61	37.63	Hercourt Brace/Jov.	21	10.25
AOT Inc.	58	51.38	Phillips-Ven Heusen	21	19.38
Carter Bancorp Del.	44	20.38	MGM/UA	19	10.50
Specialty Equipment	40	19.88	Novo Industries	19	31.63
Muntord Inc.	37	35.25	Pann Central Corp.	19	54.75
Interstate Bakeries	35	40.25	Catalyst Energy Corp.	18	16.75
Unionfed Financial	35	25.13	Chaus Bernard Inc.	18	12.25
Newmont Mining Corp.	33	92.00	Computer Factory Inc.	18	21.00
Manpower Inc.	31	82.13	Perry Drug Stores	17	10.75
Tiffany & Co.	30	37.98	Enerra Corp.	16	10.38
American Stock Exchange:					
Compiled by Morgan Stanley Capital International, Prices in pence.					
Capital Federal S&L	80	18.00	Ransburg Corp.	27	11.25
Bolar Pharmaceutical	50	41.00	Barnwell Industries	25	10.63
UNO Restaurant Corp.	42	13.88	Mott's Supermarkets	19	11.38
Tranzonic Cos	36	41.25	Stanwood Corp.	16	13.00
INTL Seaway Trading	33	12.50	Electrosound Group	15	10.25
Over the Counter:					
Compiled by Morgan Stanley Capital International, Prices in yen.					
Franklin Computer	155	12.13	ACMAT Corp.	64	14.50
Viratek Inc.	100	28.50	Olson Industries Inc.	36	13.50
IGA Inc.	92	10.88	Matrix Science Corp.	25	14.25
Western Federal S&L	79	37.38	Ben & Jerry's	24	17.00
Information Resource	58	31.63	Baldwin & Lyons (A)	24	17.50
London Stock Exchange:					
Compiled by Morgan Stanley Capital International, Prices in yen.					
Racal Electronics	12	313	Octopus Publishing	12	443
British Printing	11	380	Steeley	12	340
Hammerston Property	9	661	Woolworth Holdings	13	363
BSR International	9	127	Tralagar House	13	363
Bowthorpe Holdings	8	250	McAlpine (Alfred)	14	548
Tube Investment	7	430	Tarmac	15	276
Great Portland Estates	4	299	Ultramar	17	265
Cookson Group	4	789	Turner & Newall	18	250
Hanson Trust	3	188	Taylor Woodrow	18	423
United Newspapers	3	547	Magnel	32	265
Tokyo Stock Exchange:					
Compiled by Morgan Stanley Capital International, Prices in yen.					
Mitsubishi Petrochem	55	1460	TOK	8	4900
Kawasaki Steel	32	328	Honda Motor	9	1600
Kokusai Electric	30	2680	Nippon Electric Glass	9	2160
Furukawa Electric	29	953	Kyocera	9	5870
Toyo Jozo	29	1840	Kyushu Matsushita	9	2630
Shimadzu	27	1170	Aips Electric	11	2480
Sekisui Chemical	27	1570	Mori Seiki	11	1750
Advantest	26	6490	Hitech Seles	11	755
Nisahn Steel	28	590	NEC	11	1880
Fuji Heavy Industries	24	689	Victor Co. Japan	14	2820

U.S. Securities

By Leslie Wayne
New York Times Service

NEW YORK — Wall Street's momentum bankers are in a heady mood to find gold in the \$400 million Latin American bank debt.

As a financial wizard than Michael Milken, who created the junk bond market for Drexel Burnham Lambert, is turning his attention to the challenge.

The notion is that Latin American loans now on the books of commercial banks can be packaged and sold to investors as high-yield, high-risk securities, just as the credit of U.S. corporations were sold into junk bonds and household mortgages were transformed into mortgage-backed securities.

The principle is the same, the idea goes. And for a Wall Street firm, it is seeing its profits increasingly squeezed, the trading of Latin loans could provide huge commissions.

"When it hits it will be huge," said Richard E. Ombrodin Jr., a managing director and head of the high-yield bond group at Merrill Lynch.

There is also a big premium for being among the first to devise a package plan.

"This will be a tens-of-billions-dollar business with large fees," said Ronald Gallatin, a managing director at Shearson Lehman Brothers. "You want to be the first to the second."

As so far the notion has been a long promise and short on delivery.

Last week, for instance, one of the first proposals to transform Latin loans into securities that could be sold among investors was quickly abandoned.

The proposal to "securitize" the loans from Brazil, which Wall Street, led by Citicorp, is to slash the value of about \$30 billion of its bank debt into high-yield securities, Brazil backed away from the plan.

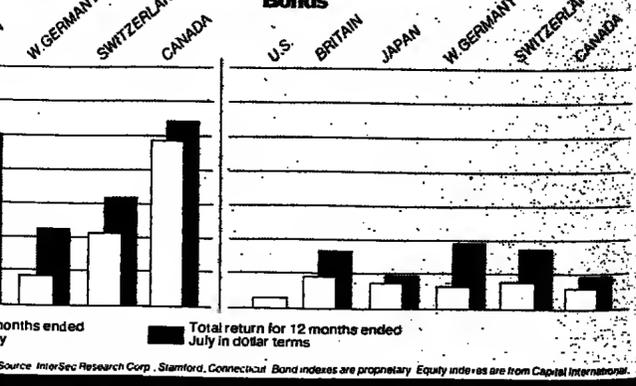
The banks were not objecting to the principle of turning loans into securities, but they were worried as much as the big investment banks that people had in securities would appear like a scam, they play in comparison to the way that someone has to go to court to turn Latin debt into a security.

Commercial bankers say it is not so much to compare troubled banks with troubled companies. In the case of many banks, it may be more a task to design a

Country	Total return for 12 months ended July in local currency	Total return for 12 months ended July in dollar terms
U.S.	~45%	~45%
BRITAIN	~35%	~35%
JAPAN	~25%	~25%
W.GERMANY	~15%	~15%
SWITZERLAND	~10%	~10%
CANADA	~5%	~5%

Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

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WIN \$ MILLIONS!

Strike it rich in Canada's Favorite Lottery. You pick your own numbers playing Lotto 6/49

That's right ... you can win millions by picking your own numbers playing Lotto 6/49—Canada's most popular Government Lottery. In fact, last year Lotto 6/49 paid out \$354,736,589.00 in ALL CASH PRIZES. And it's all free of Canadian taxes. There are two draws each week for a grand prize guaranteed to be not less than \$1,000,000.00 with many millions more in secondary prizes. Grand prizes often run into the millions and have been as high as \$13,890,588.80. Imagine what you could do with that much cash! This is your opportunity to find out because now you can play the lottery that's making so many millionaires in Canada.

WHAT IS LOTTO 6/49?
Lotto 6/49 is the official Canadian version of Lotto—the world's most popular form of lottery. It's the lottery in which you pick your own numbers and it's called "6/49" because you select any 6 of 49 possible numbers from 1 to 49. Your numbers are entered in the Lotto 6/49 computer system and if they match the six winning numbers chosen in the draw—you win the grand prize. Or if you have only 3, 4 or 5 numbers correct you win one of thousands of secondary prizes available.

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another chance at the grand prize for every draw in which you are entered. You receive a "Confirmation of Entry" by return mail acknowledging your order and indicating the numbers you have selected as well as the draws in which they are entered.

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You will be notified immediately when you win a prize of \$1,000.00 or more. Also, a complete list of all winning numbers that will be sent to you after every tenth draw so that you can check along the way to see how you are doing. At the expiration of your subscription you will be sent a final statement of your winnings. All prize money will be converted to any currency you wish and confidentially forwarded to you anywhere in the world. So mail your order today—the next big winner could be you.

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PRIZES	NO. OF PRIZES	PRIZE VALUE*
1ST PRIZE 6 OUT OF 6 NUMBERS	1	\$13,890,588.80
2ND PRIZE 5 OUT OF 6 PLUS BONUS	10	\$443,481.80
3RD PRIZE 5 OUT OF 6	716	\$3,704.70
4TH PRIZE 4 OUT OF 6	48,917	\$139.30
5TH PRIZE 3 OUT OF 6	985,112	\$10.00
TOTAL PRIZES 1,414,756		\$17,443,228.10

* All prizes quoted in Canadian dollars.
1st, 2nd, 3rd, and 4th prizes are calculated on a percentage of the total prize pool. Since the prize pool fluctuates from draw to draw, the size of the prizes will vary from the size of the prize shown above.

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New International

Amount (millions)	Mat.	Coups %
\$100	1992	0.23
\$300	1996	0.18
\$1,000	1992	8.6%
\$50,000	1992	5%
\$70	1992	3%
\$50	1992	ope
\$300	1992	3
\$100	1992	3%
\$100	1992	3
\$35	1992	ope
\$50	1992	3%
\$70	1992	ope
\$300	2002	1%
\$80	1992	3%
\$30	1992	ope
\$120	2002	1%
\$25	1992	ope
\$250	1994	6%

EUROBONDS: P

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New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

BUSINESS ROUNDUP

Westmark to Acquire Tracor for \$694 Million

By Thomas C. Hayes
New York Times Service
DALLAS — Westmark Systems Inc., a technology holding company headed by Bobby R. Inman, has agreed to acquire Tracor Inc., a military-electronics company, for \$694 million in cash.



Bobby R. Inman

The company had fallen from favor among investors after write-offs in 1985 and 1986, the result of cost overruns on Pentagon contracts. Tracor had earnings of \$18.3 million last year, a little more than half of the \$33.2 million it earned in 1984, its best year.

Kodak Rewards Shareholders

NEW YORK — Eastman Kodak Co., riding the crest of its record earnings and strong sales gains last quarter, has declared a 3-for-2 stock split and raised its quarterly dividend by 7 percent.

375,000 Units at \$8.00 (1 share + 1 warrant)

Mr. Inman, who resigned from the CIA in 1982 to become the first president of Microelectronics Computer & Technology Corp., a research consortium in Austin, left that post last January for Westmark.

EPITOPE INC.

The above shares have been placed privately with European institutional clients of American Equities Overseas Inc.

San Pellegrino Takes Coca Cola to Court

MILAN — The soft drinks producer San Pellegrino SpA says it has begun legal action in Italy against The Coca-Cola Export Corp., a unit of Coca-Cola Co., and 27 Italian bottlers, alleging unfair competition.

Maxwell Said to Target Guinness Peat

LONDON — Robert Maxwell, chairman of British Printing & Communication Corp., has joined the battle for control of British financial services group Guinness Peat Group PLC, according to a newspaper report Sunday.

EUROBONDS: Prices Fall on U.S. Trade Data, but Dealers' Nervousness Prompts Buying

(Continued from first finance page) hundreds of a percentage point, over comparable U.S. Treasury notes. Even a bit of luck and a following wind, that could be rich enough to move the issue, one new issue trader said. He also pointed out that \$1 billion — which is equal to the two previous largest offerings in this sector — the deal would certainly be liquid.

U.S. Securities Wizards Seek Way to Turn Latin Debt to Gold

By Leslie Wayne
New York Times Service
NEW YORK — Wall Street's investment bankers are in a headlong race to find gold in the \$400 billion Latin American bank debt. No less a financial wizard than Michael Milken, who created the junk bond market for Drexel Burnham Lambert, is turning his attention to this challenge.

Table: Latin Debt and Its Price in the Market. Columns: Country, Government debt owed to U.S. banks (billions of dollars), Price of debt in the secondary market (Current prices for \$100 worth of debt).

banks were willing to unload their loans, which have declined in value as the Latin economies have continued to suffer. One basic question still to be answered is, who would buy such securities and at what price. Even investment bankers concede it will be difficult to find buyers, because potential buyers may well ask why, if the banks are trying to get out of this business, investors should get in.

Advertisement for Capital Strategy Fund Limited. Includes a portrait of a man and text: "Much of my time is spent on the move... that makes portfolio management a real problem."

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Advertisement for Hagemeyer NV report. Text: "REPORT FOR THE SIX MONTHS ENDED JUNE 30TH, 1987 HAGEMEYER N.V. — The consolidated net profit increased with 45% from f 7.7 million in the first half of the previous year to f 11.3 million in the period under review."

security backed by credits that are barely understood, unstable politically and whose repayment schedule has been erratic at best. Such thoughts, however, barely faze Wall Street technicians, especially Mr. Milken. Mr. Milken's focus has been Mexico, and he has been meeting with Mexican government officials. The normally secretive Mr. Milken has made public statements likening the making of markets in Third World debt to the development of junk bonds in the early 1970s.

Table: U.S. Consumer Rates. Columns: Rate, Date.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s High Low Close Chgs

(Continued)

Table of NASDAQ National Market data, including various stock symbols and their trading statistics.

Sales in 100s High Low Close Chgs

Net

Table of market data for various companies, including symbols like AMBA, AMBA, AMBA, etc.

Sales in 100s High Low Close Chgs

Net

Table of market data for various companies, including symbols like AMBA, AMBA, AMBA, etc.

Sales in 100s High Low Close Chgs

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Table of market data for various companies, including symbols like AMBA, AMBA, AMBA, etc.

PORTUGAL: Sp... rapid... good... will... reduce... said... in 12... percent... Social... edge... of a... began... M... ec... De... sh... on... ter... inter... lifted... able... of pri... edged... could... press... exten... after... St... that g... the O... oper... igno... non-... mem... ther...

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Table with columns: Country/Currency, TOLL-FREE TELEPHONE NUMBER, 12 months (+52 FREE ISSUES), 6 months (+26 FREE ISSUES), 3 months (+13 FREE ISSUES), Savings per year.

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American Exchange Options

Figures as of close of trading Friday, Sept. 11

Table of American Exchange Options data, including columns for Option & price, Calls, Puts, and various market indicators.

Options & price

Table of Options & price data, including columns for Calls, Puts, and various market indicators.

Mutual Funds table listing various fund names, their performance metrics, and other details.

PORTUGAL: Spending Fuels Boom, Inflation Fears

(Continued from first finance page) 5 percent, and food consumption, up 11 percent. The August unemployment rate was 8.5 percent, down from 10 percent in July. The upward swing in economic indicators has not eliminated fears about the economy. Some economists, politicians and government officials fear the rapid growth might fuel inflation. And foreign debt remains at \$16 billion, or 60 percent of gross domestic product, the total output of goods and services, minus income from operations abroad. The government is worried enough to try to restrain consumption by tightening restrictions on credit purchases, and there is also talk that interest rates should be allowed to rise. One American analyst said that the government had a long list of do's and don'ts to consider before lasting changes are realized. "The public sector is a real drain on the economy and must be cut, and the government wants to do it by privatizing," he said. "That's easier said than done." The international climate is not going to be favorable; oil prices will rise, he said. "The government wants to reform labor laws and revive an agriculture sector that is in very poor shape, but that would lead to unemployment when the prime minister has said he would lower it. There is a real challenge ahead for the government."

Others, including opposition leaders, say that because the economy had been in such bad shape, there was only one way to go—up. They say the improvement is based largely on external factors, such as a large subsidy from the European Community, and ignores structural problems and weak areas such as agriculture. However, Prime Minister Ant6nio Cavaco Silva, an economist and supporter of free-market principles, said he was pleased by the rapid growth and he predicted the good times would continue. "With controlled progress, we will reduce the balance of payment," he said in an interview. "Inflation is below 10 percent for the first time in 12 years. We want it down to 6 percent next year." Officials of Mr. Cavaco Silva's Social Democratic Party acknowledge that it has been the beneficiary of an economic turnaround that began two years ago when an austerity program sponsored by the International Monetary Fund was lifted. The economy has also been aided by the falling dollar, favorable exchange rates and declining oil prices. The prime minister acknowledged that consumer spending could fuel inflation. He also expressed concern about "unforeseen external world forces" that could affect Portugal. Still, his government has forecast that growth will exceed 4 percent this year, while the forecast from the Organization for Economic Co-operation and Development puts the figure at around 3 percent. Some critics fear the government ignores the possibility that the economic figures could be deceptive. "Things look good, but the structural situation is not so bright," said Jo6o Cr6nimo, a Socialist member of parliament. "There is very little job creation; there is a big increase in the num-

ber of people hired short-term and fired by employers, and women workers are declining," Mr. Cr6nimo said. "A lot of EC money, external money is helping to push the economy along," he said, referring to the EC subsidies. "It's like if you have a car that's going downhill, if there are people outside pushing it, you have the feeling you're going somewhere." An official at the Bank of Portugal, less optimistic than the bank's own reports, said that the 1983 accord with the IMF was severe but instrumental in turning the economy around. "That was also the year we got a great infusion of funds from the EC for agricultural and social programs, and there was an immediate change in the mentality of people," the official said. "For years it was looked upon as a crime to earn a lot of money. Capitalists were seen as bad people. But since 1983, a new wave of private initiative has hit," the official said. "The stock market has gone mad; many enterprises have opened to the private market; young, ambitious, competitive entrepreneurs who want to be rich now, a new attitude, are doing a lot of things, and our financial system developed quickly, like an earthquake in the past two years." But, he said, "Public administration is poorly organized, new technologies will be disruptive, our communications need to be improved, roads and harbors to distribute goods are inadequate, we've got to develop new industries." He added, "Our middle class is growing, but it is different from that in the rest of Europe. "It doesn't have as much purchasing power, it's not yet as sophisticated and not used to so many material things being available. Consumption is a new phenomenon."

Many critics say that because the economy had been in such bad shape, there was only one way to go—up.

EC Aide Says U.S. Is Far From Solving Trade Deficit Problem

Sir Roy Denman, the head of the European Commission delegation to the United States, is considered to be one of the world's foremost experts on trade. In an interview with the International Herald Tribune, he comments on the record monthly trade deficit reported by the United States on Friday. Q: Why is the U.S. trade deficit still setting records after the steep fall in the dollar? A: The fall in the dollar has helped the trade balance in real as opposed to nominal terms, but not as much or as quickly as expected. Americans appear to have developed a taste for foreign goods and many foreign exporters have shaved their margins to maintain their market share. So the trade deficit in 1987 will probably continue to be substantial. Q: Is there an end in sight? A: President Coolidge was once asked whether it would ever stop raining. "Al-ways has," he replied. Q: What about the deficit in manufac-

tured goods? Are there any encouraging signs? A: Not many. Too much reliance should not be placed on short-term figures. But so far this year imports of manufactured goods have remained consistently high, with an upward trend. Exports, after a strong first quarter, have leveled off. Q: Is there any sign of hope from the declining Japanese surplus? A: One should not be too jubilant over short-term figures. Japanese figures for August show a fall in exports to the U.S. of 1.5 percent, compared with a year earlier, while imports increased by 28 percent. U.S. July figures show no change in imports from Japan compared with June. There is no conclusive evidence as yet of a continuing decline in the Japanese surplus. Q: What should the United States do? A: There is a general consensus in Washington, as Clayton Yeutter, the U.S. trade representative, and others have often said, that one major factor—the need to reduce the budget deficit. Q: Is all this welcome or unwelcome news for the partners of the United States, who want to sell to the American market? A: Increased exports to the American market are always welcome to the United States' trading partners. But looked at politically, the fact that the turnaround in the U.S. trade balance is taking longer than expected cannot be good news either for the United States or its partners because it encourages protectionist sentiment. Q: Is it not then in the interest of U.S. trading partners to expand their own economies to attract more American exports? A: As far as the European Community is concerned, we think we are a pretty open market. In 1986, the 12-member European Community was the biggest trading partner of the United States, taking \$53 billion of U.S. exports, compared with \$45 billion to Canada and \$27 billion to Japan. Nor do we think that the community is a stumbling block in the growth league. What we



Sir Roy Denman are aiming at in the community is stable and sustained growth rather than a "quick fix" in terms of artificial stimulation of demand with unhealthy side effects.

EMS: Ministers Strengthen Policy on Central Bank Support for System's Weaker Currencies

(Continued from Page 1) been limited because the central bank is allowed to hold more than small amounts of another's currency. This weekend's accord foresees that in the future a central bank with a weak currency will in principle be able to borrow sizeable though limited amounts of a strong currency—such as the West German Deutsche mark—from the central bank that issues it. The central banker from a weak-currency country would then sell the strong currency to limit its rise against his domestic market before the exchange rate hits its obligatory EMS intervention point. The agreement to make such loans is hedged around with conditions to ensure that the Bundesbank, West Germany's central bank, does not suffer any significant loss of control over the amount of marks in circulation. A large increase in sales of marks would increase the domestic money supply and tend to cause higher inflation. The philosophy behind such preemptive intervention, participants said, is that it is cheaper than waiting until speculation against a currency has gathered momentum. Kent Otto P6hl, the Bundesbank president, stressed that there would be no obligation for central banks to make such loans to each other. Yet some officials were optimistic that the Germans would take a

generous view of the accords behind the scenes. "There's every indication the Germans want to be quite flexible," said one high-ranking EC monetary source. That could mean, for example, more frequent adjustments of short-term interest rates in West Germany to influence the position of the mark—traditionally the strongest EMS currency—against others in the system. A rate reduction, for instance, would tend to weaken the German currency. Jacques Delors, president of the EC Commission, said he saw greater coordination of interest rate policies as an important element in maintaining exchange rate stability. The aim is to narrow differences in economic performances that give

Mutual Funds

Figures as of close of trading Friday Sept. 11

Table listing various mutual funds and their performance metrics, including fund names, assets, and returns.

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WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

After a weak start, the Amsterdam Stock Exchange made a cautious recovery last week. Investors seemed to have grown accustomed to the low dollar and a slight increase in interest rates. The ANP/CBS general index, which had closed at 309.2 the previous week, closed at 313.5 on Friday. Kempen & Co., stockbrokers in Amsterdam, said the uptrend in the second half of the week had a very weak basis. Volume for the week totaled 6.14 billion guilders, up from the previous week's 5.34 billion.

Frankfurt

The Frankfurt stock market overcame a slow start last week, and the Commerzbank index closed 13 points higher for the week, at 1,974.2. The dollar's move back above the 1.80 Deutsche mark level for a time and the hope for a narrowing in the U.S. trade deficit in July, a hope that was dashed on Friday, helped support the market. The week's volume was 16.45 billion DM on the eight West German stock exchanges, against 18.62 billion the previous week.

Hong Kong

The Hong Kong Stock Exchange swapped to a new high last week after bargain hunting ended a three-day selling spree. The Hang Seng Index beat its week-old record by 6.02 points, finishing at 3,660.50. Average daily turnover was 2.25 billion Hong Kong dollars. Profit-taking rocked the market Monday through Wednesday, but after the Hang Seng dipped below the 3,600 barrier, dealers came out in force looking for bargains. The bull run failed to move blue chips forward. Cathay Pacific, the pharmaceutical group Farmila Carlo Erba, Montedison lost 1.72 percent over the week.

Paris

The Paris Bourse moved a bit lower last week, particularly because of the rise in U.S. interest rates, but dealers said share prices resisted well. The CAC index finished the week at 431.9, compared with 435.9 the previous Friday. Market analysts said that despite the week's small drop, the bourse seemed rather optimistic, as prices

London

Shares and gilts in London were unsettled last week by a strong wave of rights issues in Britain and by fears that U.S. interest rates might have to be lifted again. Equities, however, made a partial recovery toward the end of the week. Gilts received little support from steady inflation figures and from the pound's strength. The release on Friday of U.S. trade figures for July, showing another record deficit, dampened sentiment, but Wall Street's robust reaction reassured investors. The Financial Times industrial share index closed down 18.3 points on the week, at 1,763.8. Life insurance company Equity & Law was boosted by a takeover bid from France's Compagnie du Midi, although the offer was quickly rejected, as was a previous bid from a New Zealand financier, Ron Brierley.

Milan

Milan stocks fell back an average 0.71 percent last week to bring total losses since the start of the year to 16.6 percent. The Comit. Index closed at 603.12, after the previous Friday's 607.72, while the Milan Stock Exchange Index lost 6 points, to finish at 834. Bourse authorities provisionally estimated trading value to have declined by about a fifth over the previous week, and said volume was also sharply down.

Stocks

Auto stocks were irregular, with BMW losing 17 to finish at 753 DM. Daimler, which announced on Wednesday it will acquire a holding in Matra, up 29 to 1,100; and VW up 5 to 399.50. In pharmaceuticals, Schering rose 9 to 609 DM, while metals company Mannesmann added 7.50 to close at 174.

Stocks

Interest focused on Montedison and the conditions it would announce concerning its takeover of the pharmaceutical group Farmila Carlo Erba. Montedison lost 1.72 percent over the week.

Stocks

The Paris Bourse moved a bit lower last week, particularly because of the rise in U.S. interest rates, but dealers said share prices resisted well. The CAC index finished the week at 431.9, compared with 435.9 the previous Friday.

Singapore

Share prices firmed on a quiet Singapore stock market last week. The Straits Times industrial index recovered 53.03 points to 1,466.11, while the SES all-share index added 11.02 points to 391.07. The market opened the week higher on bargain hunting and short covering. Gains were made across a broad front, recovering some of the losses suffered in a recent sharp correction.

Zurich

The Zurich stock market was irregular last week. The Credit Suisse index finished the week higher at 603.5, against 599.4 the previous week, while the Swiss Bank Corp. index was down to 696.4 from 702.2 the previous Friday. Analysts said the trend during the next few days would again depend primarily on what happens to the dollar. Bank shares lost ground, with Union Bank of Switzerland dropping 95 to 4,830. Financial companies were irregular, with Motor Columbus up 75 to 1,945, but Electrowatt off 20 to 1,125.

Stocks

The same irregularity was noted in insurance stocks, with Compagnie de Reassurance off 400 to 17,900, but Zurich Insurance Co. up 75 to 1,275, and in industrials, where Saurer added 79 to 430, but Fischer dropped 75 to 1,600.

Stocks

Share prices plummeted on the Tokyo Stock Exchange in lackluster trading last week. The 225-issue Nikkei Stock Average, which lost 203.93 yen the

Stocks

previous week, was down 915.76 yen to close Friday at 24,828.27. Average daily turnover was 560 million shares, compared with the previous week's 1.06 billion. Daily turnover by value averaged 647.7 billion yen, after 1.01 trillion yen the previous week. Despite the hefty losses, many brokers and analysts said the market appeared ready to resume its upward movement before the new business year begins in October.

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INTERNATIONAL CLASSIFIED (Continued from Back Page) ESCORTS & GUIDES LA VENTURA REGENCY NY LONDON BELGRAVIA MAYFAIR CLUB CAPRICE-NY

SPORTS

Navratilova Routs Graf in U.S. Open Final

By Roy S. Johnson
New York Times Service
NEW YORK — Bit by bit, Steffi Graf's once seemingly impenetrable armor was chipped away...

claimed that she had earned the right to be called No. 1 once again. For Graf, the defeat was only her fifth in the 112 matches she has played since April 1986...

Like Shriver and McNeil, Navratilova sought to exploit Graf's weakness, the backhand, by slicing her approach shots and charging the net...

coming in. That's the way she plays, and she didn't make many errors. The match was 47 minutes old when Navratilova closed out the first set with a service ace...

earning it; Graf missed a cross-court try and fell behind, 5-1. Navratilova needed three match points in the next game as Graf floundered off two with an off-balance forehand winner...



Martina Navratilova had a trophy and a smile after her victory over Steffi Graf.

Steelers Defeat 49ers on Return of Fumble Recovery

PITTSBURGH — Rookie cornerback Deion Sanders put Pittsburgh in the lead Sunday with a 50-yard fumble recovery return and Mark Malone overcame a 9-of-33 passing performance to throw a 27-yard touchdown pass as the Steelers stunned the San Francisco 49ers for a 30-17 National Football League victory...

Palmer returned a kick 95 yards late in the fourth quarter to give the Chiefs the victory over San Diego. Palmer, the Chiefs' first-round draft choice, broke free behind a block by Paul Coffman and won a foot race down the right sideline with 3:19 left in the game...

Hot Wilander, Cool Lendl Gain Men's Final

By John Feinstein
Washington Post Service
NEW YORK — Mats Wilander did two things Saturday for the first time in his tennis career: he reached the final of the U.S. Open and he threw a temper tantrum...

4 Home Runs By 'Jays Send Yanks Reeling

Compiled by Our Staff From Dispatches
TORONTO — Ernie Whitt hit two home runs and drove in six runs Saturday, when the Toronto Blue Jays hit three consecutive homers in the eighth inning to defeat the New York Yankees, 13-1...

Way Wins European Open; Randolph Leads in U.S.

WALTON HEATH, England (Combined Dispatches) — Paul Way of England, who hadn't had a victory in two years, shot five-under-par 67 Sunday to win the European Open golf tournament...

Campbell, Ottey Win Grand Prix Track Titles

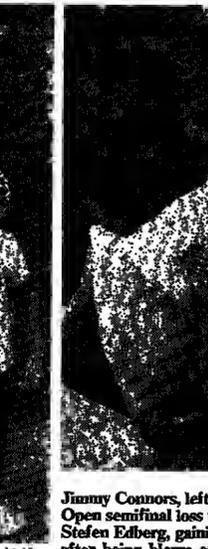
BRUSSELS (NYT) — One-hundredth of a second made up for two months of anguish for Tommie Campbell, whose victory Friday night over Greg Foster and six others in the 110-meter hurdles race of the Mobil Grand Prix finals gave him the overall circuit championship...

For the Record

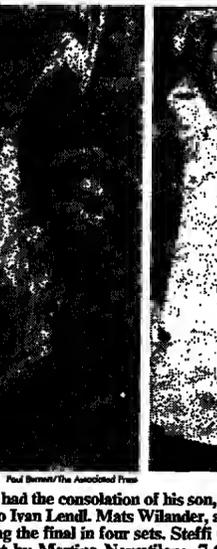
Sean Kelly of Ireland fell off his bike, cutting his face in several places, but finished 10th Saturday in the Tour of Catalonia and retained the overall leader's yellow jersey...



Jimmy Connors, left, had the consolation of his son, Bret, as he departed his U.S. Open semifinal loss to Ivan Lendl. Mats Wilander, above, had better luck against Steffi Graf, gaining the final in four sets. Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.



Mats Wilander, above, had better luck against Steffi Graf, gaining the final in four sets. Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.



Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.



Ivan Lendl, above, had better luck against Steffi Graf, gaining the final in four sets. Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.

Mitchell's 3 RBI Lead Giants to 6-1 Victory Over Reds

CINCINNATI — Kevin Mitchell drove in three runs with a home run and a double Sunday afternoon, sparking the San Francisco Giants to a 6-1 victory over the Cincinnati Reds. The Giants, who won two of the three games in the series, took a six-game lead over the Reds in the National League West...

SUNDAY BASEBALL

Leon Durham had three hits and two RBIs, and Rick Sutcliffe won his first game in more than six weeks as the Cubs downed Montreal. Sutcliffe (16-8) had a 1-0 lead in the sixth inning when he struck out Steve Garvey...

Mets Are First Down, And Then About Out

Darryl Strawberry, right, got a "low five" from Keith Hernandez after homering in the first inning of the series-opener against the Cardinals. But the Mets lost in the 10th inning, then were routed Saturday. Saturday night they learned that pitcher Ron Darling had torn ligaments in his hand and will be out the rest of the season...

SATURDAY BASEBALL

The American League East Division. The loss, the Yankees' fourth in a row, dropped them seven games out of first with 21 games to play. The victory put the Blue Jays a game ahead of the Detroit Tigers in the race for the division title...

U.S. OPEN TENNIS OFFICIAL TIMER SEIKO

